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Intrawest

2002

Much of what we do is about the intangible – the memories, the emotions, the impressions we leave with our guests. While the experiences we create may defy description, the business behind them is both tangible and measurable. □ Our resort assets are unique and irreplaceable. Our expertise is internationally recognized and in demand. And our profitable corporate performance, year after year, is very real.

real

Intrawest Corporation is the leading developer and operator of village-centered destination resorts across North America. It is redefining the resort world with its nine mountain resorts, one warm-weather resort, 25 golf courses under management, a premier vacation ownership business – Club Intrawest, and six world-class resort villages at other locations, including one in France. In addition, Intrawest has a significant investment in Alpine Helicopters, owner of the largest heli-skiing operation in the world. The company has expertise in all aspects of resort living including lodging, food and beverage, themed retail, animated operations and real estate development. Its 20,600 employees are uniquely positioned to service the company's seven million skier visits and 500,000 golf rounds, providing the best possible resort experience again and again. Intrawest Corporation's shares are listed on the New York (IDR) and Toronto (ITW) stock exchanges. The company is headquartered in Vancouver, British Columbia.

FIVE-YEAR
HISTORICAL REVIEW

YEARS ENDED JUNE 30 (IN MILLIONS OF UNITED STATES DOLLARS, EXCEPT PER SHARE AMOUNTS)	2002	2001	2000	1999	1998
CONSOLIDATED OPERATIONS					
REVENUE					
Ski and resort operations	485.1	492.2	447.4	382.5	259.1
Real estate (sales and rental)	495.8	424.3	348.4	221.2	162.8
Other	5.1	6.3	14.7	5.9	2.5
Total revenue	986.0	922.8	810.5	609.6	424.4
EXPENSES					
Ski and resort operations	377.8	383.9	353.7	300.9	200.5
Real estate costs	407.7	343.3	285.5	177.4	130.9
Interest	43.1	44.5	35.2	24.8	16.1
Depreciation and amortization	65.4	57.9	51.4	40.2	26.8
General, administrative and other	33.4	29.7	32.6	27.7	19.8
Total expenses	927.4	859.3	758.4	571.0	394.1
Income from continuing operations	58.6	63.5	52.1	38.6	30.3
INCOME FROM CONTINUING OPERATIONS PER COMMON SHARE					
Basic	1.33	1.45	1.20	0.96	0.88
Diluted	1.31	1.43	1.18	0.94	0.85
WEIGHTED AVERAGE NUMBER OF SHARES (IN THOUSANDS)					
Basic	44,206	43,665	43,362	40,237	34,486
Diluted	44,695	44,504	44,252	40,986	35,575
Total Company EBITDA*	211.2	200.3	165.4	128.8	91.4
CONSOLIDATED BALANCE SHEETS					
ASSETS					
Resort operations	841.8	813.7	784.7	699.0	471.5
Properties – resort	861.5	700.6	569.3	460.9	296.9
– discontinued operations	6.3	7.1	9.6	20.6	27.2
Other	457.3	434.9	353.8	311.7	203.6
Total assets	2,166.9	1,956.3	1,717.4	1,492.2	999.2
LIABILITIES AND SHAREHOLDERS' EQUITY					
Bank and other indebtedness	1,055.9	1,010.0	833.2	727.1	417.5
Other liabilities	433.7	377.9	372.9	226.6	136.5
Shareholders' equity	677.3	568.4	511.3	538.5	445.2
Total liabilities and shareholders' equity	2,166.9	1,956.3	1,717.4	1,492.2	999.2

*EBITDA = Net income before interest, income taxes, non-controlling interest, depreciation and amortization.

Statements contained in this annual report that are not historical facts are forward-looking statements that involve risks and uncertainties. Intrawest's actual results could differ materially from those expressed or implied by such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, seasonality, weather conditions, competition, general economic conditions, currency fluctuations and other risks detailed in the company's filings with the Canadian securities regulatory authorities and the U.S. Securities and Exchange Commission.

TO OUR
SHAREHOLDERS

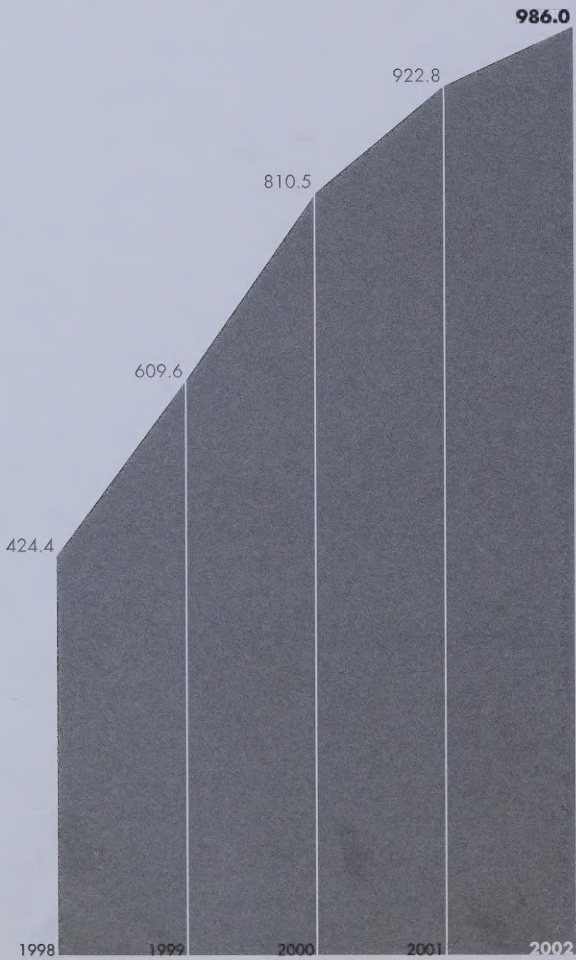
REAL
RESULTS

At a time when investors' confidence in corporate leadership in North America has been badly shaken, the annual message to shareholders takes on particular importance. As we prepared this year's annual report we certainly thought about the need and desire for corporations to communicate with candor and to set realistic expectations for their shareholders. With this in mind, we leafed through our annual reports from previous years. We are proud to say that we found a strong consistency of messages and results. Our business model and our corporate values have not been driven by the fashion of the day. This year's performance extends a five-year track record that clearly demonstrates that despite weather, political events and recession, Intrawest has built the fundamental business characteristics of a quality long-term investment – sustainable competitive advantage, brand loyalty with customers, and predictable sources of earnings growth. The theme for this year's annual report builds on this core element of our company: While the experiences of our resort guests are often enthusiastically described as "unreal", Intrawest's business and results are very real.

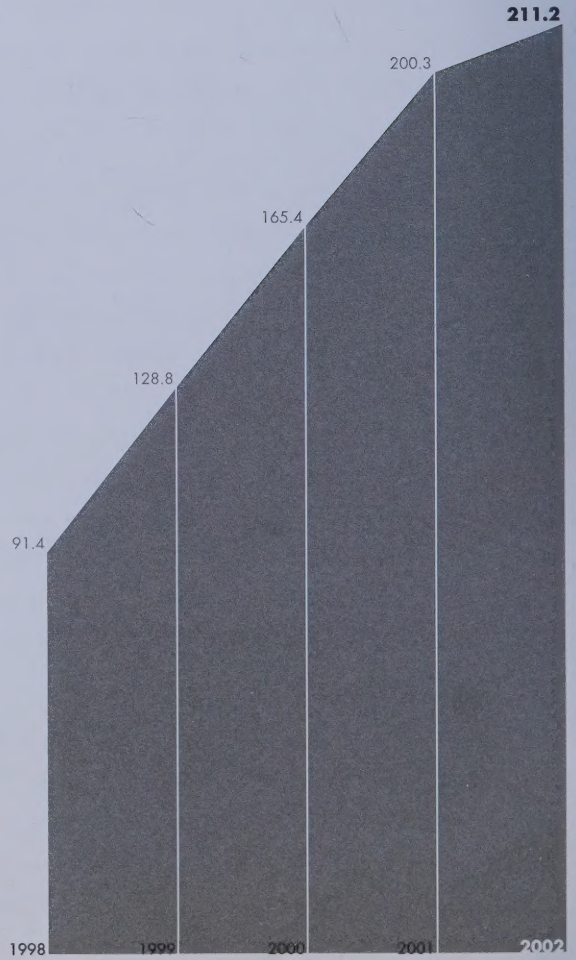
Among our very real and tangible successes this past year were the results of our operations group. Despite very difficult weather conditions in the East, the profound impact of the events of September 11 on travel patterns, and the economic recession, revenue from the ski and resort operations was 98 per cent of our record year in 2001; and operating income was within one per cent of last year's results. Our real estate division increased revenue by 17.5 per cent and operating income by 11.2 per cent, again setting new highs for Intrawest. Importantly, following some slow months immediately after September 11, real estate sales rebounded and in the last six months we successfully launched nine projects and achieved a pre-sales level of 72 per cent of the units in these projects. Certainly the internal aspirations within our real estate group were to achieve higher growth for the year but, given the difficult circumstances, we were proud to exceed our previous year's performance.

Total Company EBITDA (earnings before interest, income taxes, non-controlling interest, depreciation and amortization) increased 5.4 per cent to \$211 million reflecting the combined results of all divisions. This growth was offset by non-cash items such as depreciation and amortization reflecting new capital investments made in the prior year to give earnings per share of \$1.31 versus \$1.43 in 2001. Given the unprecedented combination of challenges we faced, it is a testament to the underlying strength of our business that we came in so close to last year's record results.

revenue
(US \$ Millions)



**total
company
EBITDA**
(US \$ Millions)



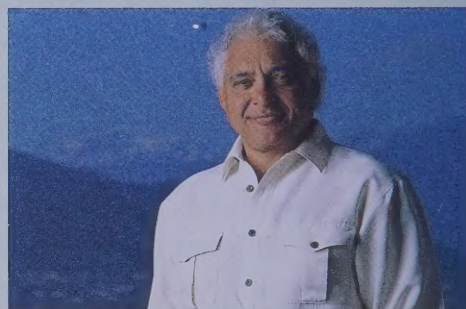
2002 RESULTS AND THE INTRAWEEST BUSINESS MODEL

The past year put the business models of hundreds of companies to the test. Many were found to be sorely wanting if not outright failures. Others proved to be solidly based and fared much better as the year progressed. Intrawest is among the latter group of companies. Our performance in 2002 was driven by three key elements of our business strategy.

01. DIVERSIFICATION AND ACCESSIBILITY As we assembled our network of assets between 1991 and 1999, we very deliberately selected a mix of resorts that is both geographically diversified across North America and accessible by car from major population centers. In the past year, as in previous years, the advantages of a diversified network, which balances the different regional weather conditions to deliver predictable results, were readily apparent. Also very apparent following the events of September 11 was the value of being accessible by car to so many markets (about 85 per cent of our visits come by car to our resorts from home). Another important, but less apparent, advantage of this diversity and accessibility is the benefit of being able to draw our real estate buyers from so many different markets. There is very little overlap in terms of the major metropolitan markets from which our resorts draw their purchasers. And since we limit production to an average of about 150-200 new units per resort each year, the amount of real estate sold into any particular market is relatively small compared with the number of potential buyers.

02. COMPETITIVE STRENGTH The second element of our business strategy, which forms a large part of Intrawest's very unique trademark, is the village-centered resort. This concept, coupled with our emphasis on high-quality facilities and services, sets our resorts apart. The result is directly reflected in the 33 per cent increase in our market share of North American skier visits since 1997 to about 10 per cent today. Our villages are still growing and we can expect our market share to continue to increase. Our competitive advantage will continue to strengthen as we build our marketing and sales capabilities on a company-wide basis. We are aggressively developing this capability with the same vigor that we applied in building our mountains and villages. Initiatives currently underway in areas such as direct-response marketing, call-center technology, and customer data management will deliver significant benefits that are beyond the capabilities of any single resort. The competitive advantages we have established through our resort network carry over to all our products, giving us an increased capability to sell vacation homes, Club Intrawest memberships, or ownership in one of our new Storied Places.

Joe S. Houssian
CHAIRMAN, PRESIDENT
AND CHIEF EXECUTIVE OFFICER



03. CUSTOMER BRAND LOYALTY AND DIVERSITY The third element of our business model that was certainly tested in a year of great emotional and economic turbulence was the loyalty and commitment of our guests. In the mountain resort industry it is not uncommon for guests to demonstrate remarkable loyalty to skiing, snowboarding and the resort experience. These experiences form part of a lifestyle choice that is driven by strong passion and, in many cases, by firmly held family and social traditions that have become interwoven in the fabric of our guests' lives. What we witnessed at our resorts this year were the successful results of a very conscious reinforcement of this commitment.

By creating an ever-broader range of activities and amenities in our resorts we give our guests many more reasons to come back. These return visits build greater familiarity with the resort and lead to the establishment of social traditions that build or strengthen commitment for those loyal guests. Indeed, our resorts such as Whistler Blackcomb, Tremblant, Mammoth and Stratton have established an extraordinary brand loyalty that many consumer products companies could never hope to achieve. As guests return to our resorts with greater frequency, many of them further solidify their commitment through real estate ownership, club membership or the purchase of season passes.

This loyalty is not confined to one demographic segment. Intrawest's village-centered resorts are as popular with singles and couples in their 20s, or with empty-nesters in their 50s, as they are with families or students. This diversity of customers affords us many opportunities to fill our resorts throughout the winter or summer seasons and not just on holidays and weekends.

INTRAWEST STANDS ALONE

When a business strategy has demonstrated its success, experienced investors ask themselves what prevents other companies from duplicating the results. In our case there is a formidable array of barriers to entry. No new mountain resorts are being built in North America because of the enormous environmental hurdles as well as other risks and costs associated with a start-up situation. Furthermore, among existing resorts, few have the land available for village development. Finally, Intrawest continues to be unique in its village development expertise. This leads to one of our great opportunities, which is to use this expertise, rather than capital, to build new sources of growth for Intrawest.

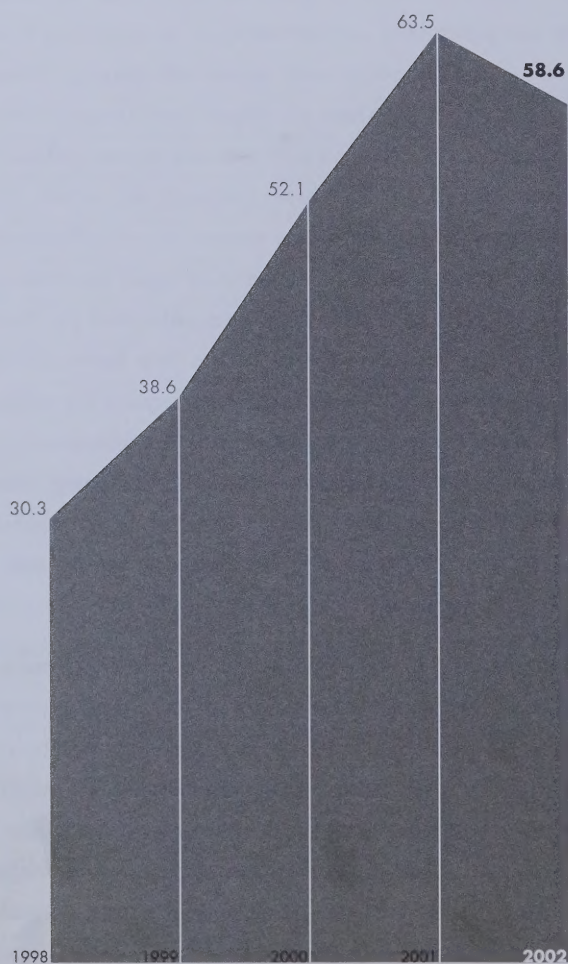
EXPERTISE-BASED GROWTH

Back in the 1980s, when Intrawest was a private company and much smaller in size, we grew by seeking out financial partners to provide funding for our projects and we relied heavily on reputation and expertise. As we broadened our corporate vision and accelerated our plans, we determined that our requirements would be best met by the public capital markets and began to rely less on partners as we strove to establish a new business model based on village-centered resorts. Today we have established the effectiveness of this business model and we have built a number of other businesses that are complementary to our core business and our resorts. The expertise we have gained and the reputation we have earned now allow us, in at least this one respect, to return to our roots. As others in the world watch our progress, many have come to us offering capital and/or land to partner with us and gain access to our expertise and branded systems. In some cases, such as in Snowmass at Aspen, where we were selected by the owners to build a destination resort village, we have accepted the offer. We have also attracted partners who contribute a network of customers or an established brand as with the new Four Seasons Hotel in Whistler and our broadening relationship with Starbucks. By leveraging off other capital sources and strategic relationships we can both limit the size of our capital investment and achieve higher returns. We are continuing to explore opportunities to enter into additional strategic relationships that will advance our business.

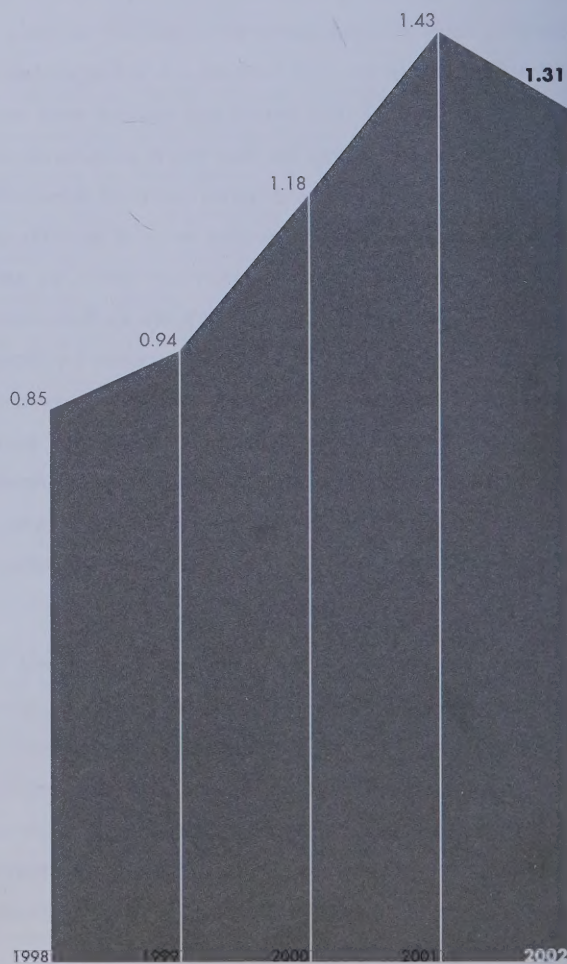
SUSTAINABLE SOURCES OF GROWTH

In last year's annual report we described the elements that will drive growth in our core businesses as well as a new group of businesses, which we refer to as our emerging businesses, that will augment the growth story. Both opportunities for growth remain firmly intact. At our resorts we have a large amount of new accommodation coming on stream and occupancy levels in our existing accommodation continue to rise. The expansion of the villages will also increase the number of destination guests, which will support revenue growth in non-ticket businesses like ski school, equipment rental and lodging management.

**income from
continuing
operations**
(US \$ Millions)



**income
per common
share from
continuing
operations**
(US \$)





Daniel O. Jarvis
EXECUTIVE VICE PRESIDENT
AND CHIEF FINANCIAL OFFICER

Our emerging businesses established a number of new standards in 2002. Playground, our real estate sales and marketing company, won 10 new third-party-client projects further broadening the scope of their business beyond Intrawest resorts. Resort Reservations Network, our central reservations company, increased bookings by 81 per cent. Club Intrawest increased membership by 20 per cent to 12,000 members. Intrawest Golf established eight new third-party management relationships in 2002 and ended the year with 25 golf courses under management. The performance of each of these companies reflects their growth potential as independent businesses as well as their potential to contribute in a growing manner to Intrawest as a whole.

POSITIONING OF INTRAWEST IN THE CAPITAL MARKETS

A review of the different categories of equity investment available in the market today reveals several broad categories. There are speculative companies that offer high rewards at high risks. There are cyclical companies whose fortunes are tied to a particular commodity price or demand cycle. There are high-growth companies, often technology-based, which offer higher returns but are subject to significant competitive and technology risks. And finally, there are long-term core-holding companies that offer the prospect of sustained growth at moderate rates of growth with limited risk. This last group comprises, in part, companies with well-established "branded" products and strong customer loyalty. While some of the other investment categories may provide higher short-term returns, this category provides superior returns over the long term. In our minds, Intrawest belongs firmly in this category as a quality long-term investment.

The fundamental business elements of a quality long-term investment already exist within Intrawest. The performance of our resorts this past year once again provided compelling evidence that our resorts have established themselves as powerful "brands" with strong customer loyalty. Significant barriers to entry and entrenched competitive advantages reinforce the case that our assets are capable of sustained growth in earnings and cash flow well into the future. In addition, the company has both an experienced management team and a unique range of expertise in the destination resort business.

The other important elements of a quality long-term investment are a properly structured balance sheet and a demonstrated ability to generate free cash flow. We made significant progress toward strengthening our balance sheet this past year. We raised \$56 million of new common equity and successfully completed an expansion of our senior bank facility and a public debt offering of \$137 million. The only financings we now have maturing before 2008 are normal construction loans, which are well covered by the revenue from pre-sold units, and our senior bank facility, which renews two years from now.

With regard to free cash flow, our strategy over the past several years has been to move steadily towards an overall free cash flow position while at the same time ensuring that we are still investing enough in our resorts to advance our business model. The picture today reflects a mix of resorts that are at different stages of development. Whistler Blackcomb, which is well along its development life cycle, is generating significant free cash flow. Other resorts, such as Tremblant and Snowshoe, are now generating positive free cash flow in reasonable amounts, while resorts such as Mammoth and Copper have now moved out of the heavy capital-investment stage but are still not yet free cash flow positive. In keeping with our business model, our more developed resorts are shifting from significant capital expenditures to positive free cash flow. We are confident that our portfolio of assets is on a path that will take us to an overall corporate-wide free cash flow positive position in fiscal 2003. Thereafter, the cash flow available will continue to grow and will be deployed to pay down debt and to reinvest in new business opportunities.

With the attainment of free cash flow in our core businesses and the fundamentals of asset quality, competitive strength and brand loyalty well established, Intrawest is positioned to attract a broad group of investors who are seeking secure but growing long-term investments. Indeed, it is our view that it will be increasingly difficult to find companies like Intrawest that have an industry-dominant competitive position and sources of sustainable growth. The overall growth in the economy over the next five years is expected to be slower than in the past decade, and most industries have a number of large well-capitalized players, creating a highly competitive situation. As a result we believe that the business attributes of Intrawest will be increasingly sought after by investors and the value of our business, which has grown steadily year after year, will be properly recognized.

The company's achievements in the past year are directly attributable to the people of Intrawest – some 6,400 of them on a full-time basis, expanding to some 20,600 in peak season. Nothing new here – it's always about our people, and we are very grateful for the talent that has developed in, or been attracted to, Intrawest. Outside observers of the company are always astounded at the level of responsibility assumed by people across our organization and by the way they take ownership of their part of our business. This is the biggest singular reason for our achievements. Our message would not be complete without mention of the contribution made by our Board of Directors. This past year our Board members participated in 20 Board and committee meetings. As we pour over the dozens of documents and articles about good corporate governance, we feel very good about the way Intrawest conducts and governs itself.

In September of this year we met with our Board to review our strategic growth options. Obviously this past year has most corporations, and particularly those of us in the travel and leisure business, rethinking their plans given the volatile nature of the world economy. Despite the toughest test we could imagine being thrown at us, Intrawest came through the past year with operating results at, or close to, our prior record achievements. This strong confirmation of our business strategy gives us renewed confidence as we move forward. We have built irreplaceable assets; we have developed branded systems; and we have millions of customers. We are now moving forward to the next important stage: developing and implementing systems that will enable us to build even stronger customer relationships. The many initiatives underway across the company will further advance Intrawest's well-acknowledged position as the world leader in creating branded destination resorts, as well as branded businesses based on our unique expertise.

Over the past decade Intrawest has enjoyed many satisfying years of strong performance. Although this year's financial result was somewhat muted by comparison, in many ways it felt more satisfying as we proved our business model in one of the toughest economic years in recent memory. Today, each of us at Intrawest has an even stronger sense of the foundation on which this company was built and from which we will continue to grow.



Joe S. Houssian
CHAIRMAN, PRESIDENT
AND CHIEF EXECUTIVE OFFICER



Daniel O. Jarvis
EXECUTIVE VICE PRESIDENT
AND CHIEF FINANCIAL OFFICER

MANAGEMENT'S
DISCUSSION AND ANALYSIS

(All dollar amounts are in United States currency, unless otherwise indicated)

Fiscal 2002 was a year of challenge and achievement. Throughout the year, an already faltering economy continued to weaken. Having anticipated continued weakness in the economy, the Company was prepared to deal with this situation. Tight cost control measures had been introduced at the resorts, bookings for the coming winter season were running ahead of the prior year's pace and the amount of pre-sold real estate was at an all-time high. Then the tragic events of September 11 happened. The immediate prognosis was that the leisure and recreation sector would suffer severely. Although Intrawest was well positioned to withstand the fallout from September 11, with a strong competitive position and with roughly 80-85% of visitors traveling from home to Intrawest resorts by car, there was considerable uncertainty regarding the remainder of the fiscal year.

Given the deeper than expected economic slowdown and the uncertainty following September 11, fiscal 2002 was a successful year. Total Company EBITDA and real estate operating profit were higher than any other year in the Company's history and ski and resort operations EBITDA was within 1% of the record results established in 2001. The Company's goal of moving close to break-even cash flow was pushed back because of the unusual conditions, but a number of other actions – including the equity issue in the fourth quarter – have positioned the Company to achieve this goal in 2003.

OPERATING SUMMARY

The summary operating results for the year include:

- A 6.8% increase in total revenue from \$922.8 million to \$986.0 million, with ski and resort revenue decreasing 1.4% and real estate sales revenue increasing 17.4%.
- A 7.8% decrease in income from continuing operations from \$63.5 million to \$58.6 million and an 8.4% decrease in diluted income per share from continuing operations from \$1.43 to \$1.31.
- A 5.4% increase in Total Company EBITDA from \$200.3 million to \$211.2 million. Total Company EBITDA is computed as income before interest (including previously capitalized interest in real estate cost of sales), income taxes, non-controlling interest, depreciation and amortization.

REVIEW OF SKI AND RESORT OPERATIONS

The Company's ski and resort operations are segregated into two reportable segments: mountain resort operations and warm-weather resort operations. The mountain resort operations comprise all the operating activities at the Company's nine mountain resorts as well as the operations of Resort Reservations, Alpine Helicopters and Breeze/Max Retail. The warm-weather resort operations comprise all the operating activities at Sandestin as well as golf operations at the Company's five stand-alone golf courses.

The key drivers of the mountain resort operations business are skier visits, revenue per visit and margins. The Company's strategy to increase skier visits has two main elements: improving the quality of the resort experience by upgrading and expanding the on-mountain facilities and building villages at the base to provide accommodation for destination guests. By expanding the amenities on the mountain and in the village, the Company is able to broaden the customer mix, extend the length of stay and capture a higher percentage of guest spending, all of which increases revenue per visit. Building the accommodation also allows visits to be spread more evenly during the week and during the season, which improves margins since a significant proportion of operating expenses at a resort are fixed. The key drivers of the warm-weather resort operations business are similar; i.e., golf rounds, revenue per round and margins.

The following table highlights the results of the ski and resort operations business.

	2002	2001	CHANGE (%)
Skier visits ¹	6,283,000	6,237,000	0.7
Revenue (MILLIONS)	\$ 485.1	\$ 492.2	(1.4)
EBITDA (MILLIONS)	\$ 107.3	\$ 108.3	(0.9)
Margin (%)	22.1	22.0	

¹ All resorts are at 100% except Mammoth at 59.5% and Blue Mountain at 50%.

Revenue from ski and resort operations was \$485.1 million in 2002 compared with \$492.2 million in 2001. Revenue from mountain resorts decreased from \$433.1 million to \$424.8 million while revenue from warm-weather resorts increased from \$59.1 million to \$60.3 million.

MOUNTAIN RESORTS

The \$8.3 million decrease in mountain resort revenue was due to various offsetting factors:

(MILLIONS)		
Increase in skier visits	\$	2.6
Decrease in revenue per skier visit		(4.2)
Increase in non-skier visit revenue		0.4
Impact of exchange rate on reported revenue		(7.1)
	\$	(8.3)

Skier visits increased from 6,237,000 in 2001 to 6,283,000 in 2002. A slow season start in the East caused by warm and dry weather reduced skier visits at the eastern resorts by 9.4%, however this was offset by a 6.8% increase in skier visits at the western resorts. The increase in skier visits increased mountain resort revenue by \$2.6 million in 2002.

Revenue per skier visit decreased from \$54.32 in 2001 (after adjusting for the impact of the reduction in the Canadian dollar exchange rate) to \$53.66 in 2002. This decrease is out of line with historic trends and reflects the unusual operating conditions that the Company faced this year. Every year since 1996 revenue per visit on a same-resorts basis has increased and the average annual increase from 1996 to 2001 was 10.2%. Revenue per skier visit is a function of ticket prices and ticket yields, and revenue from non-ticket sources such as retail and rental stores, lodging, ski school and food services. Ticket yields reflect the mix of ticket types (e.g., adult, child, season pass and group), the proportion of day versus destination visitors (destination visitors tend to be less price sensitive), and the amount of discounting of full-price tickets. Revenue per visit from non-ticket sources is also influenced by the mix of day versus destination visitors, the affluence of the visitor base, and the quantity and type of amenities and services offered at the resort.

The decrease in revenue per skier visit was due to two factors: the overall weakness in consumer spending due to the economic slowdown and a shift in visit mix from destination to regional in the aftermath of September 11. As expected, the number of vacationers traveling by air declined after September 11, reducing the number of destination visits to the Company's resorts, however this was generally offset by an increase in local and regional visits arriving by car. This shift in visit mix was more pronounced at Whistler Blackcomb than the Company's other resorts because a higher proportion of Whistler Blackcomb's customers (40-45%) traditionally travel to the resort by air. The vast majority (generally more than 90%) of skier visits to the Company's other resorts arrive by car and only a small proportion fly. Excluding Whistler Blackcomb, revenue per visit across the Company's resorts increased 2.7% in 2002. The decrease in revenue per visit was estimated to decrease mountain resort revenue by \$4.2 million in 2002.

For the purposes of this analysis, non-skier visit revenue comprises revenue from golf and other summer activities and revenue from businesses such as Resort Reservations, Alpine and Breeze/Max. Revenue from golf and other summer activities decreased 15.1% across the mountain resorts from \$47.4 million in 2001 to \$40.3 million in 2002. The Company's decision to turn management of the waterpark at Mountain Creek over to a third-party operator accounted for \$4.1 million of the decrease and the balance was due mainly to reduced group business as a result of the slower economy. The Company's central reservations business, Resort Reservations, expanded its operations into several new destinations and increased bookings at Whistler, Tremblant and Summit County, leading to an 81.0% growth in revenue to \$9.2 million in 2002. Revenue at Alpine increased 8.5% due to strong growth in heli-logging and heli-hiking business and revenue at Breeze/Max increased by 4.5% mainly due to increased retail sales as a result of introducing food and beverage into some of its stores. Overall, the increase in revenue from Resort Reservations, Alpine and Breeze/Max, partially offset by a decrease in summer revenue at the mountain resorts, resulted in an increase in non-skier visit revenue of \$0.4 million in 2002.

The reported amount of mountain resort revenue was reduced by \$7.1 million in 2002 because of the decline in the value of the Canadian dollar. In 2002 revenue from the Canadian resorts was translated for financial statement reporting purposes at an average rate of Cdn.\$1.57 to U.S.\$1.00 compared with an average rate of Cdn.\$1.52 to U.S.\$1.00 in 2001.

The Company sold Mont Ste. Marie, the smallest of its mountain resorts, effective February 1, 2002. The resort was purchased by the owner of an adjacent mountain resort and the Company's decision to sell was motivated by a desire to free up management time. The sale of Mont Ste. Marie does not have a significant impact on the Company's operating results.



01. CANADIAN MOUNTAIN HOLIDAYS | BRITISH COLUMBIA | www.cmhski.com, www.cmhhike.com
Canadian Mountain Holidays (CMH) Heli-Skiing, the world's first and largest helicopter-skiing operator, has been offering its guests the ultimate deep powder skiing experience for over 30 years. Intrawest owns 45 per cent of CMH, whose terrain encompasses over 31,000 sq km (12,000 sq miles) and is enjoyed by 7,000 skiers and 4,500 hikers annually. With 12 separate areas, CMH is several times the size of its closest competitor. Most CMH guests are flown by helicopter into one of seven remote mountain lodges. Over 70 per cent repeat bookings speak to the mountain of satisfied visitors who can attest to CMH's unmatched worldwide reputation for service.

WARM-WEATHER RESORTS

Revenue from warm-weather resorts increased 2.1% from \$59.1 million in 2001 to \$60.3 million in 2002. The acquisition of Big Island Country Club in Hawaii during the year and a full year of revenue from the new Raven golf course at Three Peaks in Colorado increased revenue by \$2.2 million. In addition, revenue at Sandestin increased by \$0.8 million. Although room nights at Sandestin increased 5.9%, leading to higher lodging and food and beverage revenue, this was partly offset by reduced golf revenue as the conversion rate of room nights to golf rounds declined. These increases were partly offset by a \$2.0 million reduction in revenue at the Raven courses in Arizona due to negative market conditions in Phoenix and Tucson caused by decreased destination travel, a soft local economy and aggressive pricing by competitors to retain market share. In the fourth quarter of 2002, the Sabino Springs course in Tucson was sold, in line with the Company's plan to dispose of non-core assets.

One area of growth for the Company has been in the third-party golf course management business. Currently Intrawest Golf has contracts at 12 different sites developing or operating third-party golf assets. Fees generated from this business totaled \$0.8 million in 2002 compared with \$0.3 million in 2001.

REVENUE BREAKDOWN AND EBITDA

The breakdown of ski and resort operations revenue by business was as follows:

(MILLIONS)	2002 REVENUE	2001 REVENUE	INCREASE (DECREASE)	CHANGE (%)
Mountain operations	\$ 193.3	\$ 192.2	\$ 1.1	0.6
Retail and rental shops	85.0	84.0	1.0	1.2
Food and beverage	63.0	65.4	(2.4)	(3.7)
Lodging and property management	61.0	58.0	3.0	5.2
Ski school	30.4	29.8	0.6	2.0
Golf	29.4	31.7	(2.3)	(7.2)
Other	23.0	31.1	(8.1)	(26.0)
	\$ 485.1	\$ 492.2	\$ (7.1)	(1.4)

Revenue from all of these businesses was impacted by the factors discussed above; i.e., the shift in visit mix from destination to regional, overall weakness in customer spending and the slow start to the season at the eastern resorts. These factors either reduced revenue compared with 2001 or restricted its growth. In addition, revenue from certain businesses was impacted by the following more specific factors:

- Lodging revenue reflected the 81.0% increase in bookings at Resort Reservations.

- Food and beverage revenue and other revenue decreased by \$1.0 million and \$2.9 million, respectively, due to the Company's decision to turn over management of the waterpark at Mountain Creek to a third-party operator.

The proportion of revenue from mountain operations has fallen from 49.3% of total ski and resort operations revenue in 1997 to 39.8% in 2002. This trend is likely to continue as the villages are built out at the Company's resorts, expanding the inventory of lodging units and changing the customer mix in favor of destination visitors who spend more on retail and rental, ski school, and food and beverage.

Ski and resort operations expenses decreased from \$383.9 million in 2001 to \$377.8 million in 2002. The Company instituted a number of initiatives in 2001 and 2002 to reduce or better control its expenses, particularly in labor which accounts for about 40% of total expenses. In addition, in response to concerns that the travel and leisure industry would be severely impacted by the events of September 11, the Company cut back on all discretionary expenses and delayed hiring its seasonal workforce for as long as possible.

EBITDA from ski and resort operations was \$107.3 million in 2002 compared with \$108.3 million in 2001. The EBITDA margin was 22.1% in 2002 compared with 22.0% in 2001. The margins at both the mountain resorts and the warm-weather resorts increased slightly in 2002. The Company expects margins going forward to increase at both the mountain resorts and the warm-weather resorts as its villages mature, driving higher mid-week destination visits, and as it takes further advantage of economies of scale.

REVIEW OF RESORT REAL ESTATE OPERATIONS

The Company has two real estate divisions – the resort development group and the resort club group. The resort development group develops and sells three main products: condo-hotel units (typically, small village-based units that owners occupy sporadically and put into a rental pool at other times), townhome units (typically, larger units outside the main village core that owners retain for their own use) and single-family lots (serviced land on which owners or other developers build homes). In order to broaden market appeal, condo-hotel and townhome units are sold on the basis of both whole ownership and fractional ownership. Currently most of the fractional product has been quarter-share but a high-end tenth-share project is under development at Whistler and other fractions are under consideration. The resort club group's business is a flexible form of timeshare where owners purchase points that entitle them to use accommodation at different resorts. The resort club group currently generates less than 10% of the Company's total real estate revenue and hence is not reported as a separate business segment in the financial statements.

The Company's business strategy for real estate has two major elements: the maximization of profits from the sale of real estate and the provision of accommodation for destination visitors to the ski and resort operations. The positive demographics for vacation real estate, and its limited supply, have enabled Intrawest to earn real estate margins that are on average roughly double those of large-scale urban builders. While real estate profits represent one-time earnings to the real estate development group, the provision of accommodation for destination visitors represents an earnings annuity for the operations. Visitors renting the accommodation generate lodging revenue as well as revenue from purchasing lift tickets or golf fees, food and beverage, and retail.

The following table highlights the results of the real estate business.

	2002	2001	CHANGE (%)
Units closed	1,290	1,279	0.9
Revenue (MILLIONS)	\$ 487.8	\$ 415.3	17.5
Operating profit (MILLIONS)	\$ 85.1	\$ 76.5	11.2
Margin (%)	17.4	18.4	

Revenue from the sale of real estate increased 17.5% from \$415.3 million in 2001 to \$487.8 million in 2002. Revenue generated by the resort development group increased from \$378.4 million to \$449.8 million while revenue generated by the resort club group increased from \$36.9 million to \$38.0 million.

RESORT DEVELOPMENT GROUP REVENUE

Resort development group revenue increased 36.4% at the Company's Canadian resorts and 12.7% at its U.S. resorts. A total of 589 units were closed at the Canadian resorts in 2002 compared with 539 units last year. The average price per unit increased 24.8% from Cdn.\$339,000 in 2001 to Cdn.\$423,000 in 2002, reflecting the mix of unit types and resorts as well as year-over-year price escalation. Comparatively more condo-hotel units were closed in 2002 (68% of the Canadian closings in 2002 versus 53% in 2001) and comparatively fewer single-family lots (12% of Canadian closings in 2002 versus 22% in 2001).

The Company closed 701 units at its U.S. resorts in 2002 compared with 740 units in 2001. The number of units that close in a particular period is dependent on both transacting sales and, since the Company pre-sells the majority of its units, the timing of construction completion. The Company had expected to close more units in 2002, however construction delays were experienced on the first projects that the Company developed at Squaw Valley and Mountain Creek and on the first condo-hotel buildings in the new village at Sandestin. The delays at Squaw Valley and Sandestin were due mainly to the size and complexity of the buildings and at Mountain Creek to unforeseen permitting issues. Some construction delays are inevitable in the real estate business, particularly given the location and climatic conditions at the Company's resorts, however the Company does not anticipate that they would have a material impact on its earnings in any particular year.

The average price per unit was \$442,000 at the U.S. resorts in 2002 (after adjusting the number of units for the impact of joint ventures at Keystone and Three Peaks), up from \$403,000 in 2001. Comparatively more townhome units were closed in 2002 (19% of the U.S. closings in 2002 versus 12% in 2001) and comparatively fewer single-family lots (11% of U.S. closings in 2002 versus 20% in 2001).

The slow economy impacted the Company's real estate sales programs during 2002 in certain of its regions. Sales were particularly affected in the period following September 11 when there was a lot of uncertainty in the marketplace. Colorado was the hardest hit region and the Company has built up an inventory of completed units at Keystone, Copper and Three Peaks that it is actively working to reduce.

RESORT CLUB GROUP REVENUE

The resort club group generated \$38.0 million in sales revenue in 2002, up from \$36.9 million in 2001. Revenue was significantly impacted by the events of September 11 as the cancellation rate on tours and the rescission rate on sales increased in the period from mid-September to December. After December these ratios returned to more normal levels. Overall for the year the number of points sold was 2.2% higher than 2001 and the average price per point increased by 3.3% (net of the foreign exchange impact).

In March 2002 the resort club location at Sandestin was completed. The Company now has seven different club locations, at Whistler, Tremblant, Palm Desert, Panorama, Vancouver, Hawaii and Sandestin and club locations are under construction at Blue Mountain and Zihuatanejo, Mexico.

REAL ESTATE OPERATING PROFIT

Operating profit from resort real estate sales increased 11.2% from \$76.5 million in 2001 to \$85.1 million in 2002. The profit margin was 17.4% in 2002 compared with 18.4% in 2001. The reduction in margin was due to a number of factors, including:

- The closing of relatively fewer single-family lots in 2002 (11% of units closed) than in 2001 (20% of units closed). Single-family lots generally have margins of 30% or more, compared with margins of about 18% for townhomes and condo-hotel units.
- Lower margins at Keystone, Copper and Three Peaks in 2002 due to greater conservatism in the projected sellout period for Colorado projects. Excluding Colorado, the margin on real estate would have been 18.8% in 2002, up from 18.5% in 2001.
- Cost overruns on a condo-hotel project at Mammoth. The contractor was replaced during the course of construction.

REAL ESTATE PRE-SALES

As at August 25, 2002, the Company had pre-sold 986 units for approximately \$360 million, which it expects to close in fiscal 2003. In addition, the Company had pre-sold a further 627 units for approximately \$240 million due to close in fiscal 2004. IntraWest follows a conservative accounting policy for real estate sales and does not recognize any revenue until the unit has completed construction and title has been transferred to the purchaser. The Company's strategy of pre-selling real estate projects before the start of construction reduces market risk and increases the predictability of real estate earnings.

CAPITALIZATION OF COSTS TO REAL ESTATE

Standard real estate accounting practice requires that all costs in connection with the development of real estate be capitalized to properties under development and then expensed in the period when the properties are closed and the revenue is recognized. Such costs include land and building costs as well as overhead costs of personnel directly involved in the development, construction and sale of real estate, and interest on debt used to fund real estate costs. The capitalized interest comprises interest on specific real estate debt (i.e., construction financing) and interest on the portion of general corporate debt used to fund real estate development expenditures.

The amount of costs capitalized to properties under development and held for sale increased from \$658.3 million at June 30, 2001 to \$797.6 million at June 30, 2002. A number of factors led to this increase:

- The continuing build up in the number of units in production, with developments underway at some of the recently acquired locations, including Lake Las Vegas, Les Arcs and Snowmass.
- An increase in the inventory of completed units, particularly at the Colorado resorts in the aftermath of September 11. The Company has instituted a number of initiatives to bring these inventory levels down to more normal levels.
- An increase in the book value of commercial space with the completion of the first buildings in the new villages at Sandestin, Squaw Valley and Blue Mountain.
- An increase in the book value of resort club properties mainly due to the recent completion of the Sandestin club location.

The Company expects the rate of increase in capitalized real estate costs to slow in 2003 as the gap narrows between the amount invested in new real estate development activity and the recovery of costs through real estate sales.

Most of the Company's real estate projects have a relatively short construction timetable (12 to 24 months) so a large percentage of capitalized costs are expensed in a similar period of time. Furthermore, the risk of non-recovery of real estate costs is low because the Company pre-sells the majority of its real estate projects and the margins on both pre-sold and other units continue to be stable.

RENTAL PROPERTIES

The majority of the condo-hotel projects that the Company develops contain ground-level commercial space, which is either leased to third-party operators or used by the Company for its own sports shops. At June 30, 2002, the Company owned 275,000 square feet of commercial space that was leased to third parties. Rental revenue derived from third-party operators decreased from \$8.9 million in 2001 to \$8.0 million in 2002. The decrease was due to the sale of the shopping center in Sandestin in the fourth quarter of 2001, partially offset by an increase in rental revenue from recently completed commercial space at Blue Mountain. Rental property expenses increased from \$4.4 million in 2001 to \$5.0 million in 2002 due mainly to the first full year of commercial operations in the new village at Copper and start-up expenses at Blue Mountain, partly offset by the elimination of expenses at Sandestin. The revenue and expense changes reduced operating profit from rental properties from \$4.5 million in 2001 to \$3.1 million in 2002.

The Company has determined that effective from July 1, 2002, it no longer intends to retain the commercial space that it develops as long-term revenue-producing properties. The goal in developing commercial space is to increase the amenities and services in the village and to add animation. In order to achieve these objectives and to ensure the proper quality and mix of tenants, the Company does not need to own the commercial properties; it only needs to manage them. The Company therefore intends to sell its existing and future developed commercial properties. Beginning in fiscal 2003, the commercial properties will be classified as properties under development and held for sale and net rental income will be capitalized to the cost of the property.

02. SANDESTIN GOLF AND BEACH RESORT | FLORIDA | www.sandestin.com

Sandestin Golf and Beach Resort is an award-winning 2,400-acre full-service resort located on northwest Florida's Gulf Coast. With miles of spectacular sugar-white beaches and pristine bayfront property, Sandestin is noted as the premier resort destination on the Gulf Coast. The resort features stunning accommodation, 65,000 sq ft of flexible function space, four championship golf courses, tennis courts, marina, health club and day spa, swimming pools, Jolee Island Nature Park, a festival marketplace and more. The Village of Baytowne Wharf is the resort's central gathering place nestled on 28 acres around the existing Baytowne Marina and features a unique collection of specialty merchants ranging from quaint boutiques to lively nightclubs and year-round special events.



REVIEW OF CORPORATE OPERATIONS

INTEREST AND OTHER INCOME

Interest and other income was \$1.1 million in 2002, down from \$3.5 million in 2001 due mainly to reduced net gains on asset sales. The gains realized on selling Mont Ste. Marie and the Sabino Springs golf course during 2002 were smaller than the gain realized on the sale of the Sandestin shopping center in 2001. The Company's primary aims in selling these and other non-core assets are to free up management time and to generate cash flow.

The Company's investment in Compagnie des Alpes generated \$3.9 million of earnings in 2002 compared with \$2.8 million in 2001. After a slow start to the season due to late snows in France, Compagnie des Alpes experienced a strong fourth quarter and ended the year with a 13.7% increase in net income. In addition, compared with 2001, the Euro strengthened against the U.S. dollar, thereby increasing reported earnings.

In July 2002 the Company sold 55% of its investment in Compagnie des Alpes for proceeds approximately equal to book value.

INTEREST COSTS

Interest expense decreased from \$44.5 million in 2001 to \$43.1 million in 2002. The Company incurred total interest costs (including financing fees and amortization of deferred financing costs) of \$83.4 million in 2002 compared with \$89.1 million in 2001. The decrease was due mainly to reduced interest rates on floating rate debt (the average rate was approximately 260 basis points lower in 2002). In total, \$38.9 million of interest was capitalized to properties under development, \$13.3 million of which was subsequently expensed in the year when the properties were closed. A further \$1.4 million of interest was capitalized to the construction of ski and resort operations assets.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization expense increased from \$57.9 million in 2001 to \$65.4 million in 2002. The increase was due mainly to depreciation of capital expenditures made at the resorts during 2002. The annual rate of growth of depreciation and amortization has slowed from an average of about 42% during the period from 1996 to 2000, to about 13% in each of 2001 and 2002 as spending on acquisitions and capital expenditures has declined. Capital expenditures are planned to continue to decline in the years ahead, leading to a further flattening in the growth of depreciation and amortization in the future.

GENERAL AND ADMINISTRATIVE COSTS

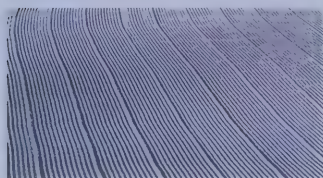
All general and administrative costs incurred by the resorts are included in ski and resort operations expenses. Similarly, general and administrative costs incurred in the development of real estate are initially capitalized to properties and then expensed to real estate costs in the period when the properties are closed. Corporate general and administrative costs, which mainly comprise certain executive employee costs, public company costs, audit and legal fees, head office occupancy costs and capital taxes, are disclosed as a separate line in the statements of operations. The breakdown of general and administrative costs for 2002 and 2001 was as follows:

(MILLIONS)	2002	PROPORTION (%)	2001	PROPORTION (%)
Corporate G&A costs	\$ 12.2	11.1	\$ 9.8	11.0
G&A expenses of ski and resort operations business	55.9	50.8	54.2	61.0
Previously capitalized G&A costs expensed in real estate cost of sales	15.4	14.0	8.8	9.9
Total G&A costs expensed during the year	83.5	75.9	72.8	81.9
Net G&A costs of real estate business capitalized to properties	26.6	24.1	16.1	18.1
Total G&A costs incurred during the year	\$ 110.1	100.0	\$ 88.9	100.0

The Company expensed approximately 76% of its total general and administrative costs in 2002. This was a lower proportion than in 2001 due to growth in real estate development activity, which resulted in more costs being capitalized to properties. Corporate general and administrative costs increased from \$9.8 million in 2001 to \$12.2 million in 2002 due mainly to higher information technology-related expenses and increased insurance costs.

INCOME TAXES

The Company provided for income taxes of \$9.5 million in 2002 compared with \$10.0 million in 2001. This equates to an effective tax rate of 12.0% in both years. Note 13 to the consolidated financial statements provides a reconciliation between income tax at the statutory rate (41.2% and 44.7%, respectively, in 2002 and 2001) and the actual income tax charge.



03. BLUE MOUNTAIN | ONTARIO | www.bluemountain.ca

Blue Mountain, Ontario's largest mountain resort, has evolved into a true four-season recreational and conference destination. The new Village at Blue has 288 units currently available for overnight stays with more to come when Seasons at Blue opens in summer 2003. Thirty-four ski/snowboard trails, the nationally ranked Monterra Golf Course, a seven-acre private beach on Georgian Bay and more than 60,000 sq ft of conference facilities, all within 90 minutes of the largest population base in Canada, position Blue Mountain firmly in the four-season category.

NON-CONTROLLING INTEREST

The Company has a 23% limited partner in the two partnerships that own Whistler Blackcomb and up to June 11, 2001, there was a 5% non-controlling interest in Sandestin. The results of all three entities are fully consolidated into the Company's financial statements with the outside partner's share of earnings shown as non-controlling interest. Non-controlling interest increased from \$9.9 million in 2001 to \$11.7 million in 2002, reflecting increased operations and real estate earnings at Whistler Blackcomb.

DISCONTINUED OPERATIONS

The consolidated financial statements disclose the results of the Company's non-resort business as discontinued operations. The discontinued operations incurred a loss of \$0.1 million in 2002 compared with a loss of \$2.9 million in 2001. The loss for 2001 included a write-down of \$1.8 million related to the Gateway Lands in Surrey, BC and reserves totaling \$0.8 million in connection with three non-resort properties sold in prior years. Losses (or net income) from discontinued operations accrue to the holders of the non-resort preferred ("NRP") shares and have no impact on the common shareholders. Similarly any cash flows generated by the discontinued operations are paid to the NRP shareholders to redeem their shares.

The Company has two remaining non-resort properties – the AirCare vehicle emission testing centers and the Gateway Lands, which it is working to sell in order to redeem all the outstanding NRP shares prior to December 31, 2002. The final redemption price is expected to be in the range of Cdn.\$1.90 to Cdn.\$2.00 per NRP share.

LIQUIDITY AND CAPITAL RESOURCES

Intrawest has evolved to the point where its highest priority from a financial perspective is to generate free cash flow. To achieve this goal it is necessary to continue to grow earnings while reducing the level of capital requirements. The Company has two major areas of capital requirements:

- Long-term investments in resort facilities and village infrastructure.
- Working capital for real estate.

To arrive at this point in its evolution it was necessary for the Company to make significant long-term investments: assembling its network of resorts, upgrading their facilities and adding new amenities. In the period from 1995 to 1999 (the last major year of acquisitions) the Company spent a total of \$732.2 million on acquisitions and resort operations capital improvements. Since 1999 the level of spending on these long-term investments has declined each year from the year before – by 57.5% in 2000, 24.2% in 2001 and 4.4% in 2002. Further reductions in capital spending are expected in 2003 and future years.

Working capital for real estate, calculated as the amount of net new investment in real estate not funded by construction loans, is shorter term in nature than investments in resort facilities. Amounts spent developing real estate properties are recovered when the properties are sold and closed. Development costs are broken down into two major components: infrastructure costs (i.e., roads, sewers and village common areas) that benefit all the real estate units developed at a resort and "vertical" building costs that pertain to a specific real estate project. Capital requirements for infrastructure costs are more heavily weighted towards the early years of development at a resort. Since infrastructure costs benefit all the real estate units at a resort, they are allocated to all the developable units and recovered during the build-out of the resort, which for Intrawest's resorts is generally 10 to 15 years. Capital requirements for vertical building costs, on the other hand, are generally recovered within 24 months.

The major sources and uses of cash in 2002 and 2001 were as follows.

(MILLIONS)	2002	2001	CHANGE
Funds from continuing operations	\$ 128.6	\$ 126.9	\$ 1.7
Working capital for real estate developed for sale	(125.8)	(59.5)	(66.3)
Acquisitions, resort capital expenditures and other investments	(107.1)	(121.9)	14.8
	(104.3)	(54.5)	(49.8)
(Increase) decrease in other net assets	44.3	(41.4)	85.7
Net cash outflows before non-construction financing	(60.0)	(95.9)	35.9
Net financing inflows excluding construction-related financing	50.3	103.3	(53.0)
Increase (decrease) in cash	\$ (9.7)	\$ 7.4	\$ (17.1)
Net new investment in real estate developed for sale	\$ (163.2)	\$ (130.9)	\$ (32.3)
Net proceeds from construction-related financing	37.4	71.4	(34.0)
Working capital for real estate developed for sale	\$ (125.8)	\$ (59.5)	\$ (66.3)

04. COPPER MOUNTAIN | COLORADO | www.coppercolorado.com

Copper's range of terrain and lively village make it a favorite of Colorado locals and visitors alike. Naturally divided for all abilities, Copper offers steep terrain to the east, gentle slopes to the west, intermediate terrain through the middle and some of Colorado's best bowl skiing. Three distinct base villages define the Copper experience. The Union Creek base area and The Schoolhouse provide the perfect environment for beginners and families. Copper Station offers access to intermediate and advanced trails as well as four high-alpine bowls. And The Village at Copper features five new buildings and a pedestrian-only area filled with shops, restaurants and entertainment. Nearby, the new West Lake Market offers additional restaurants, shops and activities.



In 2002 \$128.6 million of funds were provided by continuing operations compared with \$126.9 million in 2001. Funds from continuing operations comprise income from continuing operations adjusted for non-cash items such as depreciation and amortization and future income taxes. The components of, and year-over-year changes in, funds from continuing operations have been discussed earlier in the review of operations.

Working capital for real estate used \$125.8 million of cash in 2002 compared with \$59.5 million in 2001. A decrease in the net proceeds of construction-related financing accounted for \$34.0 million of the increase. The nature of some of the large-scale projects that the Company is undertaking (e.g., The Four Seasons at Whistler and the village projects at Lake Las Vegas and Mammoth) means that more equity is used to finance development before construction financing takes over. The net new investment in real estate was \$163.2 million in 2002, up from \$130.9 million in 2001. The net new investment in real estate in 2002 was approximately \$70 million higher than the Company had expected due to two major factors:

- The construction delays experienced at Squaw Valley, Sandestin and Mountain Creek which pushed closings from fiscal 2002 to fiscal 2003. This factor accounted for approximately \$30 million of the net new investment in real estate in 2002.
- A slower pace of sales at the Colorado resorts because of local market conditions. The Company incurred costs to develop certain projects at Keystone, Copper and Three Peaks but these costs were not recovered through sales. The Company is focused on reducing its inventory of units at these resorts. This factor accounted for approximately \$40 million of the net new investment in real estate in 2002.

Spending on acquisitions, resort operations capital improvements and other investments decreased from \$121.9 million in 2001 to \$107.1 million in 2002, in line with the Company's strategy to reduce these types of expenditures. In 2002 the Company spent \$8.9 million to acquire Big Island Country Club, a golf resort and adjacent developable real estate in Hawaii. The Company expects to recover all, or close to all, of this investment within the next two years. Expenditures on ski and resort operations capital improvements were \$91.5 million in 2002, down from \$94.0 million in 2001. Each year the Company spends \$20 million to \$25 million on capital maintenance expenditures at its resorts. Capital maintenance expenditures are considered non-discretionary (since they are required to maintain the existing level of service) and comprise such things as snow grooming machine or golf cart replacement, snowmaking equipment upgrades and building refurbishments. Capital expansion expenditures (e.g., new lifts or new restaurants) are considered discretionary and the annual amount spent varies year by year. The Company spent approximately \$70 million on expansion capital in 2002 and this amount is expected to decrease to about \$40 million in 2003.

In 2002 \$44.3 million of cash was provided by changes in receivables and other assets, net of payables and other liabilities, compared with a net cash outflow of \$41.4 million in 2001. Approximately \$33 million of the change was due to real estate deposits being available to fund construction costs rather than being retained in trust pending completion of the project. The Company put a bonding facility in place to achieve this outcome. In addition, approximately \$50 million less was spent to settle payables and amounts due to joint venture partners in 2002 than 2001.

In total, these sources and uses of cash resulted in net cash outflows of \$60.0 million in 2002, down from outflows of \$95.9 million in 2001. The Company issued 3.25 million common shares in June 2002, for net proceeds of \$56.0 million, to fund the majority of the outflows in 2002. The balance of the cash outflows in 2002 and the cash outflows in 2001 were funded by cash on hand and increases in non-construction related financing.

When the Company prepared its three-year business plan in May 2001 it expected to achieve close to break-even cash flow in fiscal 2002. The slowdown in the economy, the fallout from September 11 and the difficult weather conditions in the East have pushed the achievement of this goal back 12 months. At the same time as these negative factors were impacting the Company's cash flows a number of positive events occurred in 2002 that set the Company up for success in moving to a free cash flow position in the near future, including:

- The introduction of tight cost controls at the resorts.
- The \$56.0 million equity issue in June 2002.
- The start of a program to sell non-core assets (Mont Ste. Marie and Sabino Springs before year end and part of the Compagnie des Alpes investment afterwards).
- Expansion of the senior credit facility and repayment of subsidiary-level term debt.

Over the next three fiscal years the Company expects to generate significant free cash flow and the majority of it will be used to pay down debt. The Company has a number of specific financial targets in connection with its capital structure. During the period 2003 to 2005 it aims to reduce its ratio of net debt to EBITDA to 3.5 times from 4.6 times at June 2002 and its ratio of net debt to net tangible assets to 35% from 47.9%. The Company also wants to ensure that the amount of its secured debt relative to its total debt continues to decline. Currently, secured term debt constitutes 44.5% of total debt and the Company wants to move the proportion down to about 20% by 2005. In December 2002 the Cdn.\$125 million 6.85% unsecured debentures mature and to preserve the balance between secured and unsecured debt these debentures will have to be replaced by a similar type of financing.

ECONOMIC DOWNTURN

A severe economic downturn could reduce spending on resort vacations and weaken sales of recreational real estate.

The Company's results in 2002 (a year that saw a significant slowdown in the economy) provide evidence of its ability to deal with an economic downturn. Ski and resort operations EBITDA for 2002 was within 1% of last year's record EBITDA and operating profit from real estate was the highest in the Company's history. Going back further, since the Company acquired Blackcomb in 1986, cash flow has increased every year at that resort despite widely varying economic conditions. The Company believes there are two main reasons for this:

- The strong competitive position of each of the Company's resorts due to the villages at their base and the quality of their on-mountain facilities. This has also created a loyal customer base that is strongly committed to the resorts.
- The profile of the Company's customer base, who have incomes well above the national average and are therefore less likely to have their vacation plans impacted by a recession.

Real estate developers face two major risks from an economic downturn: land risk and completed inventory risk. Land risk arises when land is purchased with debt and economic conditions deteriorate resulting in higher holding costs and reduced profitability, or worse, loan defaults and foreclosure. Intrawest has reduced its land risk by generally acquiring land at low cost with the purchase of a resort or by securing land through options and joint ventures. Completed inventory risk arises when completed units cannot be sold and construction financing cannot be repaid. Often this risk arises because many developers are supplying units to the market and since Intrawest controls most of the supply at its resorts, this risk is reduced. The Company has also mitigated this risk by pre-selling a significant portion of its units prior to commencement of, and during, construction.

COMPETITION

The mountain resort industry has significant barriers to entry (e.g., very high start-up costs, significant environmental hurdles) that prevent new resorts from being created. Competition therefore is essentially confined to existing resorts. Intrawest's resorts compete for destination visitors with other mountain resorts in Canada, the United States, Europe and Japan, and with other leisure industry companies, such as cruise lines. They also compete for day skiers with other ski areas within each resort's local market area. Skier visits in North America have been relatively static over the past 10 years, which has increased competition between resort owners.

The Company has a number of revolving credit facilities to meet its short-term capital needs. These include a \$285-million facility at the corporate level, of which \$184 million was drawn at June 30, 2002. In addition, several of the Company's resorts have lines of credit in the range of \$5 million to \$10 million each to fund seasonal cash requirements. In addition, the Company has three revolving credit facilities totaling approximately \$200 million available for real estate construction. At June 30, 2002, \$74.4 million was drawn under these facilities. Since two of these facilities, for \$150 million, operate under a maximum outstanding basis (i.e., the amount drawn cannot exceed \$150 million) and since the timing of individual project draws and repayments is staggered, these three facilities are sufficient to finance construction of projects with a cost to complete significantly more than \$200 million. The Company believes that its existing credit facilities, combined with cash on hand and internally generated cash flow, are adequate to finance all its normal operating needs.

The Company does not have any off-balance sheet financing arrangements.

BUSINESS RISKS

Intrawest is exposed to various risks and uncertainties in the normal course of its business that can cause volatility in its earnings. The Company's resort operations and resort real estate businesses are managed to deal with risks that are common to most companies; i.e., the risks of severe economic downturn, competition and currency fluctuations, and the more industry-specific risks of unfavorable weather conditions, seasonality of operations and construction overruns.

05. MAMMOTH MOUNTAIN | CALIFORNIA | www.mammothmountain.com

The name says it all: 36 lifts, 3,500 skiable acres, a 3,100-foot vertical drop and more than 30 feet of snow per year in the heart of the Eastern Sierra mountain range. Countless options range from gentle groomed runs to steep chutes for winter athletes, while summer recreation includes an 18-hole championship golf course, world-class mountain biking, fishing and more. Three neighborhoods totaling over 2,000 lodging units and 116,000 sq ft of commercial space will soon establish Mammoth as the heart of the Eastern Sierra experience.



The Company's strategy has been to acquire resorts that have natural competitive advantages (e.g., in terms of location, vertical drop and quality of terrain) and to enhance those advantages by upgrading the facilities on the mountain and building resort villages at the base. The Company's principal strength compared with its industry competitors is its ability to combine expertise in resort operations and real estate development, particularly in building master-planned resort villages. Increasingly the village has become the dominant attraction in generating visits to a resort.

The Company owns substantially all of the supply of developable land at the base of its resorts and hence competition in real estate is somewhat restricted. Expertise in all aspects of the development process, including resort master-planning, project design, construction, sales and marketing, and property management also gives the Company a distinct competitive advantage. In the resort club business, the Company has established a competitive position through its ownership of the mountain facilities, and by offering a high standard of accommodation and a flexible points-based system.

CURRENCY FLUCTUATIONS

Over the past several years the Company's Canadian resort operations have benefited from the lower Canadian dollar relative to other currencies, and particularly against the U.S. dollar. This has made vacationing in Canada more affordable for foreign visitors and it has encouraged Canadians to vacation at home. A significant shift in the value of the Canadian dollar, particularly against its U.S. counterpart, could impact earnings at Canadian resorts.

Intrawest finances its U.S. assets with U.S. dollar debt and its Canadian assets with Canadian dollar debt. Generally the Company services its debt with revenue denominated in the same currency. In addition, cash flow generated by Canadian operations is generally retained in Canada and invested in expansion of Canadian assets. Similarly cash flow generated at the U.S. resorts is generally reinvested in the United States. Cross-border cash transactions and currency exchanges are kept to a minimum.

Since Intrawest reports its earnings in U.S. dollars but its income is derived from both Canadian and U.S. sources, the Company is exposed to foreign currency exchange risk in its reported earnings. Revenues and expenses of the Company's Canadian operations will be impacted by changes in exchange rates when such operations are reported in U.S. dollars. The impact of Canadian/U.S. dollar exchange rate changes on the balance sheet are reflected in the foreign currency translation amount included in shareholders' equity and does not affect reported earnings.

UNFAVORABLE WEATHER CONDITIONS

The Company's ability to attract visitors to its resorts is influenced by weather conditions and the amount of snowfall during the ski season.

Intrawest manages its exposure to unfavorable weather in three ways: by being geographically diversified, by seeking to spread its visits as evenly as possible through the season and by investing in snowmaking. Geographically diversified companies like Intrawest can reduce the risk associated with a particular region's weather patterns. Every ski season since 1995, favorable and unfavorable weather conditions at different times across North America have offset one another, allowing the Company to come within 2% of its budgeted winter season ski and resort operations revenue on a same-resorts basis. The more a resort can attract its visitors evenly through the season the less vulnerable it is to unfavorable weather at a particular time. Intrawest seeks to spread its visits by marketing to destination visitors who book in advance, stay several days and are less likely than day visitors to change their vacation plans, and by attempting to increase visits mid-week and at non-peak times. Investing in snowmaking also mitigates the impact of poor natural snow conditions. Snowmaking is particularly important in the East due to the number of competing resorts and less reliable snowfall.



06. MOUNTAIN CREEK | NEW JERSEY | www.mountaincreek.com

With recent improvements marking the beginning of a complete transformation, this New York Metro/New Jersey region four-season resort is quickly becoming the premier resort in the area. Mountain Creek's forthcoming pedestrian base village, 44 existing trails, state-of-the-art snowmaking and grooming systems, terrain parks, halfpipe and 11 lifts are putting this resort on the top of the list for skiers and riders throughout the region. In the summer and fall, Mountain Creek transforms into a mecca of extreme sports and waterpark rides that maximize the natural mountain setting. This impressive 80-acre facility features attractions to provide unforgettable family experiences.

SEASONALITY OF OPERATIONS

Ski and resort operations are highly seasonal. In fiscal 2002 67% of the Company's ski and resort operations revenue was generated during the period from December to March. Furthermore during this period a significant portion of ski and resort operations revenue is generated on certain holidays, particularly Christmas/New Year, Presidents' Day and school spring breaks, and on weekends. Conversely, Sandestin's peak operating season occurs during the summer months, partially offsetting the seasonality of the mountain resorts. The Company's real estate operations tend to be somewhat seasonal as well, with construction primarily taking place during the summer and the majority of sales closing in the December to June period. This seasonality of operations impacts reported quarterly earnings. The operating results for any particular quarter are not necessarily indicative of the operating results for a subsequent quarter or for the full fiscal year.

The Company has taken steps to smooth its revenue and earnings throughout the year by investing in four-season amenities (e.g., golf) and growing its summer and shoulder-season businesses. As a result of these initiatives, the proportion of ski and resort operations revenue earned outside the historically strong third fiscal quarter has increased to 44.0% in 2002 from 32.7% in 1997.

CONSTRUCTION OVERRUNS

Intrawest is not in the construction business but rather engages general contractors to construct its real estate projects. The Company's practice is to structure its construction contracts on a fixed-price basis so that cost overruns are at the contractor's risk. In addition, construction contracts are priced only after the Company has completed full working drawings. The Company employs construction experts who oversee the general contractors and ensure that problems are properly and quickly resolved. The

QUARTERLY FINANCIAL SUMMARY

(in millions of dollars, except per share amounts)

	2002 QUARTERS				2001 QUARTERS			
	1ST	2ND	3RD	4TH	1ST	2ND	3RD	4TH
Total revenue	\$ 93.7	\$ 231.4	\$ 342.1	\$ 318.8	\$ 129.9	\$ 207.0	\$ 339.0	\$ 246.9
Income (loss) from continuing operations	(9.8)	6.0	56.2	6.2	(3.2)	10.7	50.5	6.0
Results of discontinued operations	0.1	(0.1)	0.0	(0.1)	0.0	0.1	(0.1)	(2.9)
Net income (loss)	\$ (9.6)	\$ 5.9	\$ 56.2	\$ 6.0	\$ (3.2)	\$ 10.8	\$ 49.9	\$ 3.1
PER COMMON SHARE:								
Income (loss) from continuing operations								
Basic	\$ (0.22)	\$ 0.14	\$ 1.28	\$ 0.14	\$ (0.07)	\$ 0.25	\$ 1.15	\$ 0.14
Diluted	\$ (0.22)	\$ 0.14	\$ 1.25	\$ 0.13	\$ (0.07)	\$ 0.24	\$ 1.12	\$ 0.13
Net income (loss)								
Basic	\$ (0.22)	\$ 0.14	\$ 1.28	\$ 0.14	\$ (0.07)	\$ 0.25	\$ 1.15	\$ 0.14
Diluted	\$ (0.22)	\$ 0.14	\$ 1.25	\$ 0.13	\$ (0.07)	\$ 0.24	\$ 1.12	\$ 0.13

Company has also developed a comprehensive and sophisticated project reporting system, which helps to identify potential cost overruns early enough to permit corrective action.

OUTLOOK

The fundamentals underlying Intrawest's businesses continue to be positive:

- The Company's resorts are in a strong competitive position, with upgraded facilities and their villages coming on stream or expanding. New accommodation will be added each year to drive increased visits and increased spending per visit.
- The Company has loyal customers who have well-established visitation patterns to its resorts. The relative affluence of this customer base provides further stability to these visitation patterns.
- Demographics support continuing demand for recreational real estate and the Company controls the majority of the supply of recreational real estate at its resorts.

These positive fundamentals are set against a backdrop of economic uncertainty. Accordingly, the Company will continue to operate in a fiscally conservative and risk-adverse manner.

ADDITIONAL INFORMATION

The term EBITDA does not have a standardized meaning prescribed by generally accepted accounting principles and may not be comparable to similarly titled measures presented by other publicly traded companies. A reconciliation between net earnings as determined in accordance with Canadian GAAP and Total Company EBITDA is presented in the table below.

(MILLIONS)	2002	2001
Income before tax	\$ 79.8	\$ 83.4
Depreciation and amortization	65.4	57.9
Interest expense	43.1	44.5
Interest in real estate costs	27.9	20.8
Less interest and other income	(5.0)	(6.3)
Total Company EBITDA	\$ 211.2	\$ 200.3

MANAGEMENT'S RESPONSIBILITY

The consolidated financial statements of Intrawest Corporation have been prepared by management and approved by the Board of Directors of the Company. Management is responsible for the preparation and presentation of the information contained in the consolidated financial statements. The Company maintains appropriate systems of internal control, policies and procedures that provide management with reasonable assurance that assets are safeguarded and that financial records are reliable and form a proper basis for preparation of financial statements.

The Company's independent auditors, KPMG LLP, have been appointed by the shareholders to express their professional opinion on the fairness of the consolidated financial statements. Their report is included below.

The Board of Directors ensures that management fulfills its responsibilities for financial reporting and internal control through an Audit Committee which is composed entirely of outside directors. This committee reviews the consolidated financial statements and reports to the Board of Directors. The auditors have full and direct access to the Audit Committee.



Joe S. Houssian
CHAIRMAN, PRESIDENT
AND CHIEF EXECUTIVE OFFICER
AUGUST 30, 2002



Daniel O. Jarvis
EXECUTIVE VICE PRESIDENT
AND CHIEF FINANCIAL OFFICER

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of Intrawest Corporation as at June 30, 2002 and 2001 and the consolidated statements of operations, retained earnings, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant

estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2002 and 2001 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants
VANCOUVER, CANADA
AUGUST 30, 2002



07. PANORAMA MOUNTAIN VILLAGE | BRITISH COLUMBIA | www.skipanorama.com, www.panoramaresort.com
Framed by the Canadian Rockies and the ancient Purcell mountains, Panorama Mountain Village will take your breath away. Panorama boasts a 4,000-foot vertical drop - one of the largest in North America - and encompasses over 2,800 acres of magnificent ski terrain including newly opened Taynton Bowl. Panorama Mountain Village offers guests slopeside lodging in an intimate village setting with many amenities including 6,000 sq ft of hot pools at Panorama Springs. Winter activities include legendary heli-skiing, over 20 kilometres (12 miles) of groomed Nordic trails, and ice skating on a nearby lake. Summer offers spectacular golf at Greywolf and a range of other activities. Enjoy Panorama Mountain Village, an intimate Intrawest resort.

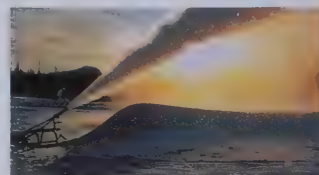
CONSOLIDATED
STATEMENTS OF OPERATIONS
For the years ended June 30, 2002 and 2001
(in thousands of United States dollars, except per share amounts)

	2002	2001
REVENUE:		
Ski and resort operations	\$ 485,142	\$ 492,202
Real estate sales	487,775	415,336
Rental properties	8,038	8,935
Interest and other income	1,115	3,547
Income from equity accounted investment	3,901	2,790
	985,971	922,810
EXPENSES:		
Ski and resort operations	377,801	383,864
Real estate costs	402,700	338,856
Rental properties	4,963	4,426
Interest (NOTE 16)	43,072	44,490
Depreciation and amortization	65,434	57,934
Corporate general and administrative	12,175	9,793
	906,145	839,363
Income before undernoted	79,826	83,447
Provision for income taxes (NOTE 13)	9,549	10,014
Income before non-controlling interest and discontinued operations	70,277	73,433
Non-controlling interest	11,675	9,904
Income from continuing operations	58,602	63,529
Results of discontinued operations (NOTE 4)	(122)	(2,942)
Net income	\$ 58,480	\$ 60,587
INCOME FROM CONTINUING OPERATIONS PER COMMON SHARE:		
Basic	\$ 1.33	\$ 1.45
Diluted	\$ 1.31	\$ 1.43
NET INCOME PER COMMON SHARE:		
Basic	\$ 1.33	\$ 1.45
Diluted	\$ 1.31	\$ 1.43

See accompanying notes to consolidated financial statements.

08. SNOWSHOE MOUNTAIN | WEST VIRGINIA | www.snowshoemtn.com

Nearly a mile high in the Allegheny Mountains of West Virginia in one of the East's last great wilderness areas, Snowshoe Mountain combines ski-town atmosphere with southern hospitality for a charm all its own. With superior regional conditions, challenging terrain and continuing capital investment, Snowshoe Mountain has garnered both regional and national acclaim. By 2005 a mountaintop village of 600 homes, restaurants, shops and specialty stores will add to the existing appeal of this already growing resort community. With 1,600 accommodation units and 78,000 sq ft of commercial space already built and more on the way, Snowshoe is a growing destination resort that will remain forever wild.



**CONSOLIDATED
BALANCE SHEETS**

June 30, 2002 and 2001

(in thousands of United States dollars)

	2002	2001
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 76,689	\$ 86,430
Amounts receivable (NOTE 7)	109,948	82,536
Other assets (NOTE 8(A))	88,062	105,545
Resort properties (NOTE 6)	399,572	329,177
Future income taxes (NOTE 13)	7,536	4,168
	681,807	607,856
Ski and resort operations (NOTE 5)	841,841	813,741
Properties (NOTE 6):		
Resort	461,893	371,451
Discontinued operations	6,325	7,080
	468,218	378,531
Amounts receivable (NOTE 7)	64,734	50,416
Other assets (NOTE 8(B))	94,332	86,640
Goodwill	15,985	19,128
	\$ 2,166,917	\$ 1,956,312
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Amounts payable	\$ 195,254	\$ 146,464
Deferred revenue (NOTE 10)	99,484	81,537
Bank and other indebtedness (NOTE 9):		
Resort	279,297	201,558
Discontinued operations	2,750	82
	576,785	429,641
Bank and other indebtedness (NOTE 9):		
Resort	773,790	804,991
Discontinued operations	82	3,363
	773,872	808,354
Due to joint venture partners (NOTE 14)	3,963	8,818
Deferred revenue (NOTE 10)	23,069	26,750
Future income taxes (NOTE 13)	75,843	83,771
Non-controlling interest in subsidiaries	36,116	30,616
	1,489,648	1,387,950
SHAREHOLDERS' EQUITY:		
Capital stock (NOTE 12)	466,899	414,220
Retained earnings	241,665	187,922
Foreign currency translation adjustment	(31,295)	(33,780)
	677,269	568,362
	\$ 2,166,917	\$ 1,956,312

Contingencies and commitments (NOTE 15)

Subsequent event (NOTE 23)

Approved on behalf of the Board:



Joe S. Houssian
DIRECTOR



R. Thomas M. Allan
DIRECTOR

See accompanying notes to consolidated financial statements.



09. STRATTON | VERMONT | www.stratton.com

Year round, visitors to Stratton Mountain, in southern Vermont's picturesque Green Mountains, are drawn to its prime skiing and snowboarding conditions, well-known golf school, and tennis academy. In a SKI magazine reader survey of the 2002 season, Stratton earned gold medals for grooming, lifts, and family programs. The resort ranks number one in the East for lifts and for terrain parks. The Village features heated walkways, redesigned storefronts and patios, and a new standard in slopeside living and lodging. With the completion of the first phase of Stratton's Vermont mountain community, Stratton offers an authentic New England experience where warm welcomes and friendly faces meet state-of-the-art facilities.

**CONSOLIDATED STATEMENTS
OF RETAINED EARNINGS**
For the years ended June 30, 2002 and 2001
(in thousands of United States dollars)

	2002	2001
Retained earnings, beginning of year	\$ 187,922	\$ 131,953
Net income	58,480	60,587
Dividends	(4,737)	(4,618)
Retained earnings, end of year	\$ 241,665	\$ 187,922

See accompanying notes to consolidated financial statements.

**CONSOLIDATED
STATEMENTS OF CASH FLOWS**
For the years ended June 30, 2002 and 2001
(in thousands of United States dollars)

	2002	2001
CASH PROVIDED BY (USED IN):		
OPERATIONS:		
Income from continuing operations	\$ 58,602	\$ 63,529
Items not affecting cash:		
Depreciation and amortization	65,434	57,934
Future income taxes	(2,873)	1,027
Income from equity accounted investment	(3,901)	(2,790)
Gain on asset disposals, net of write-offs	(323)	(2,671)
Non-controlling interest	11,675	9,904
Funds from continuing operations	128,614	126,933
Recovery of costs through real estate sales	402,700	338,856
Acquisition and development of properties held for sale	(565,863)	(469,816)
Increase in amounts receivable, net	(8,936)	(13,670)
Changes in non-cash operating working capital (NOTE 21)	49,191	(29,948)
Cash provided by (used in) continuing operating activities	5,706	(47,645)
Cash provided by discontinued operations	3,898	2,323
	9,604	(45,322)
FINANCING		
Proceeds from bank and other borrowings	351,259	417,829
Repayments on bank and other borrowings	(304,933)	(233,264)
Issue of common shares for cash, net of issuance costs	53,037	4,467
Redemption and repurchase of non-resort preferred shares	(358)	(3,966)
Dividends paid	(4,737)	(4,618)
Distributions to non-controlling interests	(6,534)	(5,773)
	87,734	174,675
INVESTMENTS		
Expenditures on:		
Revenue-producing properties	(2,353)	(5,642)
Ski and resort operations assets	(91,490)	(93,986)
Other assets	(8,463)	(19,545)
Business acquisitions, net of cash acquired of \$nil (2001 - \$498)	(8,876)	(10,951)
Proceeds from asset disposals	4,103	8,216
	(107,079)	(121,908)
Increase (decrease) in cash and cash equivalents	(9,741)	7,445
Cash and cash equivalents, beginning of year	86,430	78,985
Cash and cash equivalents, end of year	\$ 76,689	\$ 86,430

Supplementary information (NOTE 21)

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended June 30, 2002 and 2001

(Tabular amounts in thousands of United States dollars, unless otherwise indicated)

1.

OPERATIONS:

Intrawest Corporation was formed by an amalgamation on November 23, 1979 under the Company Act (British Columbia) and was continued under the Canada Business Corporations Act on January 14, 2002. Through its subsidiaries, the Company is engaged in the development and operation of mountain and golf resorts principally throughout North America.

2.

SIGNIFICANT ACCOUNTING POLICIES:

(A) BASIS OF PRESENTATION:

The consolidated financial statements are prepared in accordance with generally accepted accounting principles in Canada as prescribed by The Canadian Institute of Chartered Accountants ("CICA"). Information regarding United States generally accepted accounting principles as it affects the Company's consolidated financial statements is presented in note 22.

(B) PRINCIPLES OF CONSOLIDATION:

The consolidated financial statements include:

- (i) the accounts of the Company and its subsidiaries;
- (ii) the accounts of all incorporated and unincorporated joint ventures, including non-controlled partnerships, to the extent of the Company's interest in their respective assets, liabilities, revenues and expenses.

The Company's principal subsidiaries and joint ventures are as follows:

SUBSIDIARIES	PERCENTAGE INTEREST HELD BY THE COMPANY (%)
Blackcomb Skiing Enterprises Limited Partnership	77
Whistler Mountain Resort Limited Partnership	77
Mont Tremblant Resorts and Company, Limited Partnership	100
Copper Mountain, Inc.	100
Intrawest Golf Holdings, Inc.	100
Intrawest/Lodestar Limited Partnership	100
Intrawest Resort Ownership Corporation	100
Intrawest Retail Group, Inc.	100
Intrawest Sandestin Company, L.L.C. (NOTE 3)	100
IW Resorts Limited Partnership	100
Mountain Creek Resort, Inc.	100
Mt. Tremblant Reservations Inc.	100
Playground Real Estate Inc. (NOTE 3)	100
Resort Reservations Network Inc.	100
Snowshoe Mountain, Inc.	100
Swanese Bay Golf Course Ltd.	100
The Stratton Corporation	100

JOINT VENTURES AND NON-CONTROLLED PARTNERSHIPS (NOTE 14)	PERCENTAGE INTEREST HELD BY THE COMPANY (%)
Alpine Helicopters Ltd.	45
Blue Mountain Resorts Limited	50
Blue River Land Company L.L.C.	50
Chateau M.T. Inc.	50
Intrawest/Brush Creek Development Company L.L.C.	50
Intrawest/Lodestar Golf Limited Partnership	73.7
Keystone/Intrawest L.L.C.	50
Mammoth Mountain Ski Area	59.5
Resort Ventures Limited Partnership	50

All significant intercompany balances and transactions have been eliminated.

(C) ACCOUNTING FOR INVESTMENTS:

The Company accounts for investments in which it is able to exercise significant influence in accordance with the equity method. Under the equity method, the original cost of the shares is adjusted for the Company's share of post-acquisition earnings or losses, less dividends.

(D) MEASUREMENT UNCERTAINTY:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The significant areas requiring management estimates include useful lives for depreciation, the estimates of future net cash flows from ski and resort operations and properties, the recoverability of amounts receivable and goodwill, and the ability to utilize future income tax loss carryforwards.

(E) CASH EQUIVALENTS:

The Company considers all highly liquid investments with terms to maturity of three months or less when acquired to be cash equivalents.

(F) PROPERTIES:

(i) PROPERTIES UNDER DEVELOPMENT AND HELD FOR SALE: Properties under development and held for sale are recorded at the lower of cost and net realizable value. Cost includes all expenditures incurred in connection with the acquisition, development and construction of these properties. These expenditures consist of all direct costs, interest on specific debt, interest on that portion of total costs financed by the Company's pooled debt, and an allocation of indirect overhead. Incidental operations related specifically to properties under development are treated as an increase in or a reduction of costs.

Costs associated with the development of sales locations of the vacation ownership business, including operating and general and administrative costs incurred until a location is fully operational, are capitalized. Incidental operations related specifically to a location are treated as an increase in or a reduction of costs during the start-up period. These net costs are amortized on a straight-line basis over seven years.

The Company defers costs directly relating to the acquisition of new properties and resorts which, in management's judgment, have a high probability of closing. If the acquisition is abandoned, any deferred costs are expensed immediately.

The Company provides for write-downs where the carrying value of a particular property exceeds its net realizable value.

(II) REVENUE-PRODUCING PROPERTIES: Revenue-producing properties are stated at the lower of cost, net of accumulated depreciation, and net recoverable amount. Buildings are depreciated using the declining balance method at annual rates of 3.3% to 5%. Leasehold improvements and other tenant inducements are amortized using the straight-line method over the lease term. Furniture and equipment are depreciated on a declining balance basis at 20% per annum.

(III) CLASSIFICATION: Properties that are currently under development for sale and properties available for sale are classified as current assets. Related bank and other indebtedness is classified as a current liability.

(G) SKI AND RESORT OPERATIONS:

The ski and resort operations assets are stated at cost less accumulated depreciation. Costs of ski lifts, area improvements and buildings are capitalized. Certain buildings, area improvements and equipment are located on leased or licensed land. Depreciation is provided over the estimated useful lives of each asset category using the declining balance method at annual rates as follows:

	(%)
Buildings	3.3 to 5.0
Ski lifts	5.0 to 8.0
Golf courses	2.0 to 3.3
Area improvements	2.0 to 3.3
Automotive, helicopters and other equipment	10.0 to 50.0
Leased vehicles	20.0 to 25.0

Inventories are recorded at the lower of cost and net realizable value, and consist primarily of retail goods, food and beverage products, and mountain operating supplies.

(H) ADMINISTRATIVE FURNITURE, COMPUTER EQUIPMENT, SOFTWARE AND LEASEHOLD IMPROVEMENTS:

Administrative furniture, computer equipment and software are stated at cost less accumulated depreciation. Included in software costs are any direct costs incurred developing internal use software. Depreciation is provided using the declining balance method at annual rates of between 20% and 30%, respectively.

Leasehold improvements are stated at cost less accumulated amortization. Amortization is provided using the straight-line method over the lease term.

(I) DEFERRED FINANCING COSTS:

Deferred financing costs consist of legal and other fees directly related to the debt financing of the Company's ski and resort operations. These costs are amortized to interest expense over the term of the related financing.

(J) GOODWILL:

Goodwill is amortized on the straight-line basis over a period of 3 to 20 years based on the nature of the acquired business. In determining whether there is a permanent impairment in value, recoverability is based on undiscounted estimated future cash flows.

(K) DEFERRED REVENUE:

Deferred revenue mainly comprises real estate deposits, season pass revenue, golf club initiation deposits, government grants and the exchange gains arising on the translation of long-term monetary items that are denominated in foreign currencies (note 2(O)). Deferred revenue which relates to the sale of season passes is recognized throughout the season based on the number of skier visits. Deferred revenue which relates to golf club initiation deposits is recognized on a straight-line basis over the estimated membership terms. Deferred revenue which relates to government grants for ski and resort operations assets is recognized on the same basis as the related assets are amortized. Deferred revenue which relates to government grants for properties under development is recognized as the properties are sold.

(L) GOVERNMENT ASSISTANCE:

The Company periodically applies for financial assistance under available government incentive programs. Non-repayable government assistance relating to capital expenditures is reflected as a reduction of the cost of such assets.

(M) REVENUE RECOGNITION:

(I) Ski and resort operations revenue is recognized as the service is provided. Commission revenues derived from airline ticket, hotel, car and cruise reservations are recognized when the customer arrives at their destination. Commission revenue is recorded at the net of the amount charged to the customer and the amount paid to the supplier.

(II) Revenue from the sale of properties is recorded when title to the completed unit is conveyed to the purchaser, the purchaser becomes entitled to occupancy and the purchaser has made a payment that is appropriate in the circumstances.

(III) Points revenue associated with membership in the vacation ownership business of Club Intrawest (which revenue is included in real estate sales) is recognized when the purchaser has paid the amount due on closing, all contract documentation has been executed and all other significant conditions of sale are met.

(IV) Revenue from revenue-producing rental properties is recognized upon the earlier of attaining break-even cash flow after debt servicing or the expiration of a reasonable period of time following substantial completion. Prior to this time, the properties are categorized as properties under development, and incidental operations related to such properties are applied to development costs.

(N) FUTURE INCOME TAXES:

The Company follows the asset and liability method of accounting for income taxes. Under such method, future tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases.

Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the substantive enactment date. To the extent that it is not considered to be more likely than not that a future income tax asset will be realized, a valuation allowance is provided.

(O) FOREIGN CURRENCY TRANSLATION:

These consolidated financial statements are presented in U.S. dollars. The majority of the Company's operations are located in the United States and are conducted in U.S. dollars. The Company's Canadian operations use the Canadian dollar as their functional currency. The Canadian entities' financial statements have been translated into U.S. dollars using the exchange rate in effect at the balance sheet date for asset and liability amounts and at the average rate for the period for amounts included in the determination of income.

Cumulative unrealized gains or losses arising from the translation of the assets and liabilities of these operations into U.S. dollars are recorded as foreign currency translation adjustment, a separate component of shareholders' equity.

Exchange gains or losses arising on the translation of long-term monetary items that are denominated in foreign currencies to the applicable currency of measurement are deferred and amortized on a straight-line basis over the remaining terms of the related monetary item except for gains or losses related to foreign currency denominated long-term obligations designated as hedges of investments in self-sustaining foreign operations. Other exchange gains or losses are included in income as realized.

The actual exchange rates used for translation purposes were as follows:

CANADIAN DOLLAR TO U.S. DOLLAR EXCHANGE RATES	2002	2001
At June 30	1.5162	1.5140
Average during year	1.5687	1.5192

(P) PER SHARE CALCULATIONS:

The Company has adopted, effective July 1, 2001, the new recommendations of section 3500, "Earnings Per Share," of the CICA Accounting Handbook relating to the method of calculation, presentation and disclosure of earnings per share. These new recommendations were applied retroactively and have resulted in the restatement of diluted earnings per share for the year ended June 30, 2001. The diluted earnings per share for the year ended June 30, 2001 is more dilutive by \$0.02 than it would have been under the previous standard.

Income per common share has been calculated using the weighted average number of common shares outstanding during the year. The dilutive effect of stock options is determined using the treasury stock method.

(Q) STOCK OPTIONS:

The Company has a stock option plan as described in note 12(C). Effective July 1, 2001, the Company early-adopted section 3870 of the CICA Accounting Handbook ("CICA 3870") relating to the method of accounting for stock-based compensation. The recommendations require that stock-based compensation be accounted for based on a fair value methodology, although it allows an entity

to continue to measure employee stock-based compensation costs using the intrinsic value based method of accounting. Accordingly, no compensation expense has been recognized for the periods presented. Any consideration paid on the exercise of options or purchase of shares is credited to capital stock.

(R) EMPLOYEE FUTURE BENEFITS:

The Company accrues its obligations under employee benefit plans and the related costs as the underlying services are provided.

(S) COMPARATIVE FIGURES:

Certain comparative figures for 2001 have been reclassified to conform with the financial statement presentation adopted in the current year.

3.**ACQUISITIONS:**

On January 11, 2002, the Company acquired the assets and business of Big Island Country Club Limited Partnership, which operates a golf course on the island of Hawaii, for cash consideration of \$8,876,000.

During the year ended June 30, 2001, the Company completed the following acquisitions, each of which was accounted for by the purchase method with effect from the date of acquisition:

(A) Effective November 15, 2000, the Company acquired the business of Sapera Real Estate Group (subsequently name changed to Playground Real Estate Inc.). The purchase price of the business acquired was \$6,699,000 of which \$5,299,000 was assigned to goodwill and the remainder to working capital. The acquisition was financed primarily through bank indebtedness.

(B) On June 11, 2001, the Company acquired the 5% non-controlling interest in the resort operation and real estate assets of Intrawest/Sandestin Company, L.L.C. for cash consideration of \$4,750,000.

4.**DISCONTINUED OPERATIONS:**

For reporting purposes, the results of operations and cash flow from operating activities of the non-resort real estate business have been disclosed separately from those of continuing operations for the periods presented.

The results of discontinued operations are as follows:

	2002	2001
Revenue	\$ 1.128	\$ 1.209
Loss before current income taxes	\$ (104)	\$ (2,805)
Provision for current income taxes	18	137
Loss from discontinued operations	\$ (122)	\$ (2,942)

**10. TREMBLANT | QUEBEC | www.tremblant.ca**

The number-one ski resort in eastern North America boasts 92 runs, a heated gondola and the world's finest snowschool programs. This four-season playground also offers golf, hiking, rock climbing, tennis, mountain biking, inline skating, horseback riding, water sports and a unique riverside spa. While the soul of Tremblant is the mountain, the heart is its pedestrian village with 75 shops and restaurants, a cinema, an indoor/outdoor swimming and health club complex, and a kids' club, along with premier hotels. All year long, events and festivals reflect Tremblant's spirit. Guests enjoy a warm Quebec welcome, complete with courteous, attentive service. At Tremblant, "joie de vivre" rules.

5.

SKI AND RESORT OPERATIONS:

	2002		
	COST	ACCUMULATED DEPRECIATION	NET BOOK VALUE
SKI OPERATIONS:			
Land	\$ 52,490	\$ —	\$ 52,490
Buildings	248,731	47,556	201,175
Ski lifts and area improvements	411,352	118,993	292,359
Automotive, helicopters and other equipment	120,681	70,499	50,182
Leased vehicles	4,614	2,311	2,303
	837,868	239,359	598,509
RESORT OPERATIONS:			
Land	21,925	—	21,925
Buildings	58,219	8,937	49,282
Golf courses	120,145	16,444	103,701
Area improvements	87,446	19,022	68,424
	287,735	44,403	243,332
	\$ 1,125,603	\$ 283,762	\$ 841,841

	2001		
	COST	ACCUMULATED DEPRECIATION	NET BOOK VALUE
SKI OPERATIONS:			
Land	\$ 52,324	\$ —	\$ 52,324
Buildings	231,189	39,994	191,195
Ski lifts and area improvements	392,668	101,459	291,209
Automotive, helicopters and other equipment	106,901	59,904	46,997
Leased vehicles	4,499	1,869	2,630
	787,581	203,226	584,355
RESORT OPERATIONS:			
Land	21,711	—	21,711
Buildings	52,834	8,280	44,554
Golf courses	124,070	10,866	113,204
Area improvements	65,320	15,403	49,917
	263,935	34,549	229,386
	\$ 1,051,516	\$ 237,775	\$ 813,741

The ski and resort operations have been pledged as security for certain of the Company's bank and other indebtedness (note 9).

6.

PROPERTIES:

Summary of properties:

	2002	2001
Properties under development and held for sale	\$ 797,603	\$ 658,309
Revenue-producing properties	70,187	49,399
	\$ 867,790	\$ 707,708

Properties are classified for balance sheet purposes as follows:

	2002	2001
CURRENT ASSETS:		
Resort	\$ 399,572	\$ 329,177
LONG-TERM ASSETS:		
Resort	461,893	371,451
Discontinued operations	6,325	7,080
	\$ 867,790	\$ 707,708

Cumulative costs capitalized to properties under development and held for sale:

	2002	2001
PROPERTIES UNDER DEVELOPMENT AND HELD FOR SALE:		
Land and land development costs	\$ 187,269	\$ 178,773
Building development costs	478,175	368,242
Interest	80,082	69,071
Administrative	52,077	42,223
	\$ 797,603	\$ 658,309

During the year ended June 30, 2002, the Company capitalized interest of \$38,850,000 (2001 – \$43,298,000) (note 16).

Properties have been pledged as security for certain of the Company's bank and other indebtedness (note 9).

Breakdown of revenue-producing properties:

	2002		
	COST	ACCUMULATED DEPRECIATION	NET BOOK VALUE
REVENUE-PRODUCING PROPERTIES:			
Land	\$ 8,217	\$ —	\$ 8,217
Buildings	68,298	11,340	56,958
Leasehold improvements and equipment	6,472	1,460	5,012
	\$ 82,987	\$ 12,800	\$ 70,187

	2001		
	COST	ACCUMULATED DEPRECIATION	NET BOOK VALUE
REVENUE-PRODUCING PROPERTIES:			
Land	\$ 5,816	\$ —	\$ 5,816
Buildings	49,211	7,337	41,874
Leasehold improvements and equipment	3,007	1,298	1,709
	\$ 58,034	\$ 8,635	\$ 49,399

11. WHISTLER BLACKCOMB | BRITISH COLUMBIA | www.whistlerblackcomb.com

Consistently rated among North America's best, Whistler Blackcomb's reputation is irrefutably well-earned – 5,280 vertical feet, 7,071 acres of prime skiable mountain terrain, 12 alpine bowls, three glaciers and more than 200 marked trails accessed by 33 state-of-the-art lifts. The resort also has an enchanting pedestrian-only base village alive year-round with festival entertainment, colorful shops, cozy bistros and over 115 contemporary hotels and condominiums including the new First Tracks Lodge, the Fairmont Chateau Whistler Resort and The Pan Pacific Lodge.



7.

AMOUNTS RECEIVABLE:

	2002	2001
Receivable from sale of real estate	\$ 59,679	\$ 25,405
Ski and resort operations trade receivables	23,053	29,662
Loans, mortgages and notes receivable (NOTE 20)	73,408	56,928
Funded senior employee share purchase plans (NOTE 12[E])	4,475	460
Other accounts receivable	14,067	20,497
	174,682	132,952
Current portion	109,948	82,536
	\$ 64,734	\$ 50,416

Amounts receivable from the sale of real estate primarily comprise sales proceeds held in trust which are generally paid out to the Company or to construction lenders within 60 days.

Amounts receivable are due approximately as follows:

YEAR ENDING JUNE 30,	
2003	\$ 109,948
2004	11,270
2005	4,450
2006	7,692
2007	4,046
Subsequent to 2007	37,276
	\$ 174,682

The loans, mortgages and notes receivable bear interest at both fixed and floating rates which averaged 10.91% per annum as at June 30, 2002 (2001 – 11.86%). Certain of these amounts have been pledged as security for the Company's bank and other indebtedness (note 9).

8.

OTHER ASSETS:

(A) CURRENT:

	2002	2001
Ski and resort operations inventories	\$ 30,054	\$ 27,286
Restricted cash deposits	34,502	62,155
Prepaid expenses and other	23,506	16,104
	\$ 88,062	\$ 105,545

(B) LONG-TERM:

	2002	2001
Investment in Compagnie des Alpes, at equity (NOTE 23)	\$ 36,142	\$ 33,077
Deferred financing and other costs	16,481	19,294
Administrative furniture, computer equipment, software and leasehold improvements, net of accumulated depreciation of \$15,769,000 (2001 – \$10,291,000)	33,614	27,950
Other	8,095	6,319
	\$ 94,332	\$ 86,640

9.

BANK AND OTHER INDEBTEDNESS:

The Company has obtained financing for its ski and resort operations and properties from various financial institutions by pledging individual assets as security for such financing. Security for general corporate debt is provided by general security which includes a floating charge on the Company's assets and undertakings, fixed charges on real estate properties, and assignment of mortgages and notes receivable. The following table summarizes the primary security provided by the Company, where appropriate, and indicates the applicable type of financing, maturity dates and the weighted average interest rate at June 30, 2002:

	MATURITY DATES	WEIGHTED AVERAGE INTEREST RATE (%)	2002	2001
SKI AND RESORT OPERATIONS:				
Mortgages and bank loans	Demand – 2017	4.61	\$ 124,578	\$ 200,121
Obligations under capital leases	2003 – 2005	8.93	3,869	5,694
			128,447	205,815
PROPERTIES:				
Interim financing on properties under development and held for sale	2003 – 2017	5.77	141,337	175,944
Resort club notes receivable credit facilities	2006	5.35	27,436	21,399
Mortgages on revenue-producing properties	2003 – 2012	6.95	12,485	10,952
			181,258	208,295
General corporate debt	2005	4.64	184,000	31,803
Unsecured debentures	2003 – 2010	9.64	562,214	564,081
			1,055,919	1,009,994
Current portion			282,047	201,640
			\$ 773,872	\$ 808,354

Principal repayments and the components related to either floating or fixed interest rates are as follows:

YEAR ENDING JUNE 30,	INTEREST RATES		TOTAL REPAYMENTS
	FLOATING	FIXED	
2003	\$ 156,643	\$ 125,404	\$ 282,047
2004	21,012	27,084	48,096
2005	194,897	25,187	220,084
2006	—	5,818	5,818
2007	—	6,720	6,720
Subsequent to 2007	8	493,146	493,154
	\$ 372,560	\$ 683,359	\$ 1,055,919

The Company has entered into a swap agreement to fix the interest rate on a portion of its floating rate debt. The Company had \$16,000,000 (2001 – \$8,300,000) of bank loans swapped against debt with a fixed interest rate ranging from 4.70% to 5.58% (2001 – 5.34% to 7.40%) per annum.

Bank and other indebtedness includes indebtedness in the amount of \$263,691,000 (2001 – \$342,206,000) which is repayable in Canadian dollars of \$399,808,000 (2001 – \$518,100,000).

The Company is subject to certain covenants in respect of some of the bank and other indebtedness which require the Company to maintain certain financial ratios. The Company is in compliance with these covenants at June 30, 2002.

10.

DEFERRED REVENUE:

	2002	2001
Deposits on real estate sales	\$ 76,239	\$ 66,642
Government assistance (NOTE 11)	7,901	4,974
Golf club initiation deposits	13,431	14,935
Season pass revenue	13,883	12,864
Other deferred amounts	11,099	8,872
	122,553	108,287
Current portion	99,484	81,537
	\$ 23,069	\$ 26,750

11.

GOVERNMENT ASSISTANCE:

The federal government of Canada and the Province of Quebec have granted financial assistance to the Company in the form of interest-free loans and forgivable grants for the construction of specified four-season tourist facilities at Mont Tremblant. The loans, which will total \$9,431,000 when they are advanced, are repayable over 17 years starting in 2000. The grants, which will total \$38,318,000 (2001 – \$38,318,000) when they are fully advanced, amounted to \$24,518,000 at June 30, 2002 (2001 – \$21,005,000). During the year ended June 30, 2002, grants received of \$3,513,000 (2001 – \$6,268,000) were credited as follows: \$1,010,000 (2001 – \$755,000) to ski and resort operations assets, \$1,461,000 (2001 – \$5,513,000) to properties and \$1,042,000 to deferred government assistance.

12.

CAPITAL STOCK:

(A) SHARE CAPITAL REORGANIZATION

Effective March 14, 1997, the Company completed a reorganization of its share capital designed to separate the remaining non-resort real estate assets from the rest of the Company's business. Under the reorganization, each existing common share was exchanged for one new common share and one non-resort preferred ("NRP") share. The new common shares have the same attributes as the old common shares.

The NRP shares were initially recorded at a value of \$64,305,000, net of costs, (based on Cdn.\$3.82 per share) equal to the book value of the net equity of the non-resort assets at

December 31, 1996, and the value assigned to the common shares was reduced by the same amount. The Company expects that the non-resort assets will be disposed of in an orderly manner and the net cash flow from these assets distributed to the NRP shareholders, primarily by way of redemption or repurchase of their shares. The amount ultimately realized by the Company and distributed to the NRP shareholders will be subject to prevailing real estate market conditions. As at June 30, 2002, the book value of the net equity of the remaining non-resort assets was \$6,456,000 (2001 – \$6,964,000).

In November 1999 shareholders of the Company passed a resolution reducing the redemption price of the NRP shares from Cdn.\$3.82 to Cdn.\$2.65 per share.

(B) CAPITAL STOCK:

The Company's capital stock comprises the following:

	2002	2001
Common shares	\$ 453,299	\$ 400,262
NRP shares	13,600	13,958
	\$ 466,899	\$ 414,220

(I) COMMON SHARES:

Authorized: an unlimited number without par value

Issued:

	2002		2001	
	NUMBER OF COMMON SHARES	AMOUNT	NUMBER OF COMMON SHARES	AMOUNT
Balance, beginning of year	44,026,394	\$400,262	43,463,294	\$ 395,795
Issued for cash under stock option plan	270,850	1,893	563,100	4,467
Issued for cash, net of issue costs	3,250,000	55,951	—	—
Purchased for benefit plan (1)	(292,182)	(4,807)	—	—
Balance, end of year	47,255,062	\$453,299	44,026,394	\$ 400,262

(II) NRP SHARES:

Authorized: 50,000,000 without par value

Issued:

	2002		2001	
	NUMBER OF NRP SHARES	AMOUNT	NUMBER OF NRP SHARES	AMOUNT
Balance, beginning of year	5,513,936	\$ 13,958	7,760,961	\$ 17,924
Issued for cash under stock option plan	—	—	253,575	227
Redemption	—	—	(2,170,000)	(3,788)
Purchased for cancellation	(350,500)	(358)	(330,600)	(405)
Balance, end of year	5,163,436	\$ 13,600	5,513,936	\$ 13,958

(III) PREFERRED SHARES:

Authorized: an unlimited number without par value

Issued: nil

(C) STOCK OPTIONS:

The Company has a stock option plan which provides for grants to officers and employees of the Company and its subsidiaries of options to purchase common shares of the Company. Options granted under the stock option plan are exercisable in Canadian dollars and may not be exercised except in accordance with such limitations as the Human Resources Committee of the Board of Directors of the Company may determine.

The following table summarizes the status of options outstanding under the plan:

2002		2001		
SHARE OPTIONS OUTSTANDING	WEIGHTED AVERAGE PRICE	SHARE OPTIONS OUTSTANDING	WEIGHTED AVERAGE PRICE	
Outstanding, beginning of year	3,322,500	\$ 15.24	3,221,600	\$ 14.68
Granted	711,800	16.17	710,000	17.67
Exercised	(270,850)	6.99	(563,100)	7.90
Forfeited	(65,550)	17.87	(46,000)	17.52
Outstanding, end of year	3,697,900	\$ 16.04	3,322,500	\$ 15.24
Exercisable, end of year	1,753,950	\$ 14.70	1,805,450	\$ 13.37

The following table provides details of options outstanding at June 30, 2002:

RANGE OF EXERCISE PRICES	NUMBER OUTSTANDING JUNE 30, 2002	WEIGHTED AVERAGE LIFE REMAINING (YEARS)	WEIGHTED AVERAGE PRICE	NUMBER EXERCISABLE JUNE 30, 2002	WEIGHTED AVERAGE PRICE
\$6.42-\$9.54	439,100	2.2	\$ 9.20	439,100	\$ 9.20
\$10.39-\$15.19	208,500	4.8	\$13.38	202,500	\$13.32
\$15.70-\$19.16	3,050,300	7.4	\$17.21	1,112,350	\$17.12
	3,697,900	6.6	\$16.04	1,753,950	\$14.70

(D) EMPLOYEE SHARE PURCHASE PLAN

The employee share purchase plan permits certain full-time employees of the Company and its subsidiaries and limited partnerships to purchase common shares through payroll deductions. The Company contributes \$1 for every \$3 contributed by an employee. To June 30, 2002, a total of 65,809 (2001 – 65,809) common shares have been issued from treasury under this plan. A further 100,000 common shares have been authorized and reserved for issuance under this plan.

(E) FUNDED SENIOR EMPLOYEE SHARE PURCHASE PLANS

The Company has two funded senior employee share purchase plans which provide for loans to be made to designated eligible employees to be used for the purchase of common shares. At June 30, 2002, loans to employees under the funded senior employee share purchase plans amounted to \$4,475,000 with respect to 374,387 common shares and 26,939 NRP shares (2001 – \$460,000 with respect to 123,050 common shares and 26,939 NRP shares). The loans are non-interest bearing, secured by a promissory note and a pledge of the shares (\$6,300,000 market value at June 30, 2002) and mature by 2012. A further 96,400 common shares have been authorized and reserved for issuance under one of the plans.

(F) KEY EXECUTIVE EMPLOYEE BENEFIT PLAN

The Company has a key executive employee benefit plan which permits the Company to grant awards of common shares purchased in the open market to executive officers. During the year ended June 30, 2002, a total of 292,182 common shares were purchased under this plan. The common shares vest to the employees in part over time and the balance on the attainment of certain future earnings levels.

(G) STOCK COMPENSATION

Had compensation expense for stock options been determined by a fair value method in accordance with the provisions of CICA 3870 (note 2(Q)) using the Black-Scholes option pricing model at the date of the grant, the following weighted average assumptions would have been used for options granted in the current period:

Dividend yield (%)	0.6
Risk-free interest rate (%)	4.38
Expected option life (YEARS)	7
Expected volatility (%)	55

Using the above assumptions, the Company's net income for the year ended June 30, 2002 would have been reduced to the pro forma amount indicated below:

Net income, as reported	\$ 58,480
Estimated fair value of option grants	(649)
Net income, pro forma	\$ 57,831
Pro forma income per common share from continuing operations:	
Basic	\$ 1.31
Diluted	\$ 1.29

The estimated fair value of option grants excludes the effect of those granted before July 1, 2001. The fair value of options granted during the year ended June 30, 2002 had a value of \$9.15 on the grant date on a weighted average basis.

(H) PER SHARE INFORMATION

The reconciliation of the net income and weighted average number of common shares used to calculate basic and diluted income per common share is as follows:

2002		2001	
NET INCOME	SHARES (000)	NET INCOME	SHARES (000)
BASIC INCOME PER COMMON SHARE			
Income from continuing operations	\$ 58,602	\$ 44,206	\$ 63,529
Dilutive effect of stock options	—	489	—
Diluted income per common share	\$ 58,602	\$ 44,695	\$ 63,529

Options aggregating 2,399,800 (2001 – 263,000) have not been included in the computation of diluted income per common share as they were anti-dilutive.

**12. KEYSTONE RESORT | COLORADO**

Intrawest's development at Keystone first won recognition while still in the planning stages. Now well underway, this development, a partnership between Intrawest and Keystone's owner, is planned to include more than 4,500 homes to be located in six neighborhoods: Settler's Creek, Ski Tip Ranch, River Run Village, Mountain House, Keystone Village and Elk Run at the River Course at Keystone. The entire community will also include two championship 18-hole golf courses, a community center, restaurants and retail shops, and a network of pedestrian and bike trails. Ranches, historic western towns, mining and mountain lodges influence the architecture throughout this unique resort.

13.

INCOME TAXES:

(A) Provision for income taxes is as follows:

	2002	2001
Current	\$ 12,422	\$ 8,987
Future	(2,873)	1,027
	\$ 9,549	\$ 10,014

The reconciliation of income taxes calculated at the statutory rate to the actual income tax provision is as follows:

	2002	2001
Statutory rate (%)	41.2	44.7
Income tax charge at statutory rate	\$ 32,888	\$ 36,047
Non-deductible expenses and amortization	53	1,839
Large corporations tax	1,159	1,194
Taxes related to non-controlling interest share of earnings	(4,804)	(4,427)
Reduction for enacted changes in tax laws and rates	(2,434)	(5,277)
Taxes related to equity accounted investment	(1,605)	(1,247)
Foreign taxes less than statutory rate	(15,589)	(18,046)
Other	(101)	68
	9,567	10,151
Less: current income taxes related to discontinued operations	18	137
Provision for income taxes	\$ 9,549	\$ 10,014

(B) The tax effects of temporary differences that give rise to significant portions of the future tax assets and future tax liabilities are presented below:

	2002	2001
FUTURE TAX ASSETS:		
Non-capital loss carryforwards	\$ 27,068	\$ 27,083
Share issue and financing costs	—	1,024
Differences in working capital deductions for tax and accounting purposes	4,004	2,687
Other	562	1,134
Total gross future tax assets	31,634	31,928
Valuation allowance	(16,206)	(18,769)
Net future tax assets	15,428	13,159
FUTURE TAX LIABILITIES:		
Differences in net book value and undepreciated capital cost of ski and resort assets and properties	80,021	90,423
Other	3,714	2,339
Total gross future tax liabilities	83,735	92,762
Net future tax liabilities	\$ 68,307	\$ 79,603

(C) At June 30, 2002, the Company has non-capital loss carryforwards for income tax purposes of approximately \$101,960,000 (2001 – \$98,358,000) that are available to offset future taxable income through 2022.

14.

JOINT VENTURES:

The following amounts represent the Company's proportionate interest in joint ventures and non-controlled partnerships (note 2(B)):

	2002	2001
Properties, current	\$ 42,178	\$ 60,736
Other current assets	21,717	26,517
	63,895	87,253
Current liabilities	(49,487)	(62,225)
Working capital	14,408	25,028
Ski and resort operations	155,964	144,707
Properties, non-current	58,713	46,965
Bank and other indebtedness, non-current	(40,376)	(40,753)
Other, net	(14,924)	(11,742)
	\$ 173,785	\$ 164,205

	2002	2001
Revenue	\$ 131,122	\$ 159,104
Expenses	119,960	143,658
Income from continuing operations before income taxes	11,162	15,446
Results of discontinued operations	385	181
	\$ 11,547	\$ 15,627

	2002	2001
CASH PROVIDED BY (USED IN):		
Operations	\$ 29,206	\$ 28,006
Financing	(15,267)	(12,985)
Investments	(20,425)	(10,835)
Increase (decrease) in cash and cash equivalents	\$ (6,486)	\$ 4,186

Due to joint venture partners is the amount payable to the Company's joint venture partners in various properties for costs they have incurred on the Company's behalf. Payments to the joint venture partners are governed by the terms of the respective joint venture agreement.

15.

CONTINGENCIES AND COMMITMENTS:

(A) The Company holds licenses and land leases with respect to certain of its ski operations. These leases expire at various times between 2032 and 2051 and provide for annual payments generally in the range of 2% of defined gross revenues.

(B) The Company has estimated costs to complete ski and resort operations assets and properties currently under construction and held for sale amounting to \$397,642,000 at June 30, 2002 (2001 – \$363,064,000). These costs are substantially covered by existing financing commitments.

13. MONTELAGO VILLAGE | NEVADA

Intrawest, in coordination with The Ritz-Carlton Hotel Company and the owners of Lake Las Vegas Resort, is building a Mediterranean-style village on the shores of the largest privately owned lake in Nevada, not far from the famed Las Vegas strip. Scheduled to open in 2003, Montelago Village will include a 350-room Ritz-Carlton hotel, approximately 800 luxury condominium units, a 40,000-sq ft casino, a 30,000-sq ft day spa and 125,000 sq ft of commercial space with boutiques, shops, waterside specialty restaurants and cafes. The new European-style village together with world-class golf facilities, white-sand beaches, a mile of lakeside walkways, and harborside boat docks will elevate this already popular resort into another "must see" attraction in Nevada.



(C) In addition to the leases described in (a) above, the Company has entered into other operating lease commitments, payable as follows:

YEAR ENDING JUNE 30,

2003	\$ 4,526
2004	4,801
2005	3,853
2006	3,167
2007	2,479
Subsequent to 2007	7,416
	\$ 26,242

(D) The Company is contingently liable for the obligations of certain joint ventures and partnerships. The assets of these joint ventures and partnerships, which in all cases exceed the obligations, are available to satisfy such obligations.

(E) The Company and its subsidiaries are involved in several lawsuits arising from the ordinary course of business. Although the outcome of such matters cannot be predicted with certainty, management does not consider the Company's exposure to lawsuits to be material to these consolidated financial statements.

(F) Canada Customs and Revenue Agency ("CCRA") has proposed certain adjustments to reduce the amount of capital cost allowance and non-capital losses claimed by the Company. No notice of reassessment has been issued. The Company is preparing submissions with respect to these proposals and intends to contest any adjustments, if made. The Company believes that it is unlikely that CCRA would be successful with the proposed challenge. Whether CCRA will ultimately proceed with such proposals, and the outcome of the issues under review if the proposals proceed, cannot be determined at this time. If all of the issues raised by CCRA in the proposals were reassessed as proposed, the Company would be required to pay total cash taxes of approximately \$8,200,000 plus interest of approximately \$3,700,000. For accounting purposes, the effect of any reassessment would be charged to income in the year the outcome of the proposals is determined.

16.

INTEREST EXPENSE:

	2002	2001
Total interest incurred	\$ 83,439	\$ 89,092
LESS:		
Interest capitalized to ski and resort operations assets	1,353	988
Interest capitalized to properties, net of capitalized interest included in real estate cost of sales of \$13,314,000 (2001 - \$13,642,000)	25,536	29,656
	\$ 56,550	\$ 58,448

	2002	2001
INTEREST WAS CHARGED TO INCOME AS FOLLOWS:		
Real estate costs	\$ 13,314	\$ 13,642
Interest expense	43,072	44,490
Discontinued operations	164	316
	\$ 56,550	\$ 58,448

Real estate cost of sales also include \$14,525,000 (2001 - \$7,080,000) of interest incurred in prior years.

Interest incurred and interest expense include commitment and other financing fees and amortization of deferred financing costs.

17.

FINANCIAL INSTRUMENTS:

(A) FAIR VALUE:

The Company has various financial instruments including cash and cash equivalents, amounts receivable, certain amounts payable and accrued liabilities. Due to their short-term maturity or, in the case of amounts receivable, their market comparable interest rates, the instruments' book value approximates their fair value. Debt and interest swap agreements are also financial instruments. The fair value of the Company's long-term debt, calculated using current rates offered to the Company for debt at the same remaining maturities, is not materially different from amounts included in the consolidated balance sheets.

(B) INTEREST RATE RISK:

As described in note 9, \$372,560,000 of the Company's debt instruments bear interest at floating rates. Fluctuations in these rates will impact the cost of financing incurred in the future.

(C) CREDIT RISK:

The Company's products and services are purchased by a wide range of customers in different regions of North America and elsewhere. Due to the nature of its operations, the Company has no concentrations of credit risk.

18.

PENSION PLANS:

The Company has two non-contributory defined benefit pension plans, one registered and the other non-registered, covering certain of its senior executives. At June 30, 2002, the estimated present value of accrued pension benefits was \$10,783,000 (2001 - \$5,626,000) and the market value of the plan's assets was \$2,857,000 (2001 - \$3,103,000). This obligation is being expensed over a period of 15 years. For the year ended June 30, 2002, the Company charged to operations pension costs of \$1,070,000 (2001 - \$540,000).



14. THE VILLAGE AT LES ARCS | FRANCE

Already a well-visited resort with 1.5 million skier visits annually, Les Arcs is located in the Savoie region of eastern France beside La Plagne and belongs to the most popular mountain resort area in the world. Through its partnership with Compagnie des Alpes, Intrawest is building a European-style village with 800 residential units, indoor and outdoor spas, slopeside pools, traditional and lively landscaped plazas, and 50,000 sq ft of commercial space including restaurants, cafes and shops. Nestled at the tree line where the snow first falls, this 550,000-sq ft village overlooking Mont Blanc, Europe's highest mountain, will be Intrawest's first village development outside North America.

19.

SEGMENTED INFORMATION:

The Company has four reportable segments: mountain resort operations, warm-weather resort operations, real estate operations, and corporate and all other. The mountain resort segment includes all of the Company's mountain resorts and associated activities. The warm-weather segment includes Sandestin and all of the Company's stand-alone golf courses. The real estate segment includes all of the Company's real estate activities.

The Company evaluates performance based on profit or loss from operations before interest, depreciation and amortization, and income taxes. Intersegment sales and transfers are accounted for as if the sales or transfers were to third parties.

The Company's reportable segments are strategic business units that offer distinct products and services, and that have their own identifiable marketing strategies. Each of the reportable segments has senior executives responsible for the performance of the segment.

The following table presents the Company's results from continuing operations by reportable segment:

	2002	2001
SEGMENT REVENUE		
Mountain resort	\$ 424,835	\$ 433,126
Warm-weather resort	60,307	59,076
Real estate	495,813	424,271
Corporate and all other	5,016	6,337
	\$ 985,971	\$ 922,810

	2002	2001
SEGMENT OPERATING PROFIT		
Mountain resort	\$ 98,935	\$ 100,511
Warm-weather resort	8,406	7,827
Real estate	88,150	80,989
Corporate and all other	5,016	6,337
	200,507	195,664

	2002	2001
LESS		
Interest	43,072	44,490
Depreciation and amortization	65,434	57,934
Corporate general and administrative	12,175	9,793
	120,681	112,217
Income before income taxes, non-controlling interest and discontinued operations	\$ 79,826	\$ 83,447

	2002	2001
SEGMENT ASSETS		
Mountain resort	\$ 912,642	\$ 886,297
Warm-weather resort	151,924	143,343
Real estate	1,032,296	868,655
Corporate and all other	60,720	46,895
Discontinued operations	9,335	11,122
	\$ 2,166,917	\$ 1,956,312

	2002	2001
CAPITAL EXPENDITURES:		
Mountain resort	\$ 81,658	\$ 85,597
Warm-weather resort	9,832	8,389
Corporate and all other	10,237	15,414
	\$ 101,727	\$ 109,400

GEOGRAPHIC INFORMATION:

	2002	2001
REVENUE:		
Canada	\$ 424,764	\$ 375,569
United States	561,207	547,241
	\$ 985,971	\$ 922,810

	2002	2001
OPERATING PROFIT:		
Canada	\$ 121,707	\$ 100,433
United States	78,800	95,231
	\$ 200,507	\$ 195,664

	2002	2001
IDENTIFIABLE ASSETS:		
Canada	\$ 753,885	\$ 708,438
United States	1,403,697	1,236,752
Discontinued operations	9,335	11,122
	\$ 2,166,917	\$ 1,956,312

20.

RELATED PARTY TRANSACTIONS:

At June 30, 2001, \$3,991,000 was owing to the Company by a partnership, one of whose partners was a corporation controlled by an officer and a director of the Company. During the year ended June 30, 2002, this amount was repaid.

21.

CASH FLOW INFORMATION:

The changes in non-cash operating working capital balance consist of the following:

	2002	2001
CASH PROVIDED BY (USED IN)		
Amounts receivable	\$ (29,720)	\$ (4,932)
Other assets	20,819	(25,258)
Amounts payable	48,676	(4,405)
Due to joint venture partners	(4,788)	(8,143)
Deferred revenue	14,204	12,790
	\$ 49,191	\$ (29,948)

SUPPLEMENTAL INFORMATION:

Interest paid excluding interest capitalized	\$ 41,404	\$ 51,744
Income taxes paid	11,596	4,754
NON-CASH INVESTING ACTIVITIES		
Notes received on asset disposals	6,902	5,540

22.

DIFFERENCES BETWEEN CANADIAN AND UNITED STATES
GENERALLY ACCEPTED ACCOUNTING PRINCIPLES:

The consolidated financial statements have been prepared in accordance with generally accepted accounting principles ("GAAP") in Canada. The principles adopted in these financial statements conform in all material respects to those generally accepted in the United States and the rules and regulations promulgated by the Securities and Exchange Commission ("SEC") except as summarized below:

	2002	2001
Income from continuing operations in accordance with Canadian GAAP	\$ 58,602	\$ 63,529
EFFECTS OF DIFFERENCES IN ACCOUNTING FOR:		
Depreciation and amortization pursuant to SFAS 109 (D)	(1,870)	(2,861)
Foreign exchange pursuant to SFAS 52 (G)	(14)	(3,295)
Real estate revenue recognition pursuant to SFAS 66 (I)	4,089	(4,089)
Start-up costs (J)	(4,772)	(788)
Tax effect of differences	562	1,182
Results of discontinued operations	(122)	(2,942)
Net income in accordance with United States GAAP	56,475	50,736
Opening retained earnings in accordance with United States GAAP (B)	223,363	177,245
Common share dividends	(4,737)	(4,618)
Closing retained earnings in accordance with United States GAAP	\$ 275,101	\$ 223,363
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING (IN THOUSANDS):		
Basic	44,206	43,665
Diluted	44,695	44,504
INCOME PER COMMON SHARE (IN DOLLARS):		
Basic	\$ 1.28	\$ 1.23
Diluted	\$ 1.26	\$ 1.22

	2002	2001
COMPREHENSIVE INCOME:		
Net income in accordance with United States GAAP	\$ 56,475	\$ 50,736
Other comprehensive income (loss)	2,299	(260)
	\$ 58,774	\$ 50,476

	2002	2001
Total assets in accordance with Canadian GAAP	\$ 2,166,917	\$ 1,956,312
EFFECTS OF DIFFERENCES IN ACCOUNTING FOR:		
Shareholder loans (C)	(4,475)	(460)
Ski and resort assets (D)	2,525	3,226
Goodwill (D)	34,696	35,916
Properties (D)	650	663
Revenue recognition (I)	—	(510)
Start-up costs (J)	(5,682)	(788)
Future income taxes on differences	1,744	1,182
Total assets in accordance with United States GAAP	\$ 2,196,375	\$ 1,995,541

	2002	2001
Total liabilities in accordance with Canadian GAAP	\$ 1,489,648	\$ 1,387,950
EFFECTS OF DIFFERENCES IN ACCOUNTING FOR:		
Foreign exchange (G)	—	(14)
Revenue recognition (I)	—	3,579
Total liabilities in accordance with United States GAAP	\$ 1,489,648	\$ 1,391,515

	2002	2001
Capital stock in accordance with Canadian GAAP	\$ 466,899	\$ 414,220
EFFECTS OF DIFFERENCES IN ACCOUNTING FOR:		
Extinguishment of options and warrants (A)	1,563	1,563
Shareholder loans (C)	(4,475)	(460)
Capital stock in accordance with United States GAAP	463,987	415,323
Closing retained earnings in accordance with United States GAAP	275,101	223,363
Accumulated other comprehensive income (H)	(32,361)	(34,660)
Shareholders' equity in accordance with United States GAAP	\$ 706,727	\$ 604,026

(A) EXTINGUISHMENT OF OPTIONS AND WARRANTS:

Payments made to extinguish options and warrants can be treated as capital items under Canadian GAAP. These payments would be treated as income items under United States GAAP. As a result, payments made to extinguish options in prior years impact the current year's capital stock and retained earnings. No payments were made during the years ended June 30, 2002 and 2001.

(B) RETAINED EARNINGS:

Opening retained earnings in accordance with United States GAAP for the year ended June 30, 2001 includes the effects of:

(i) adopting SFAS 109 as described in (D). The net increase in retained earnings was \$43,546,000.

(ii) treating payments made to extinguish options and warrants as income items as described in (A). The net decrease in retained earnings was \$1,563,000.

(iii) including foreign exchange gains and losses in income for the period in which the exchange rate fluctuates. The net increase in retained earnings was \$3,309,000.



15. THE VILLAGE AT SOLITUDE | UTAH

The Village at Solitude's quaint European Alps mountain charm matches the promise of the mountain. Only 40 minutes from Salt Lake City airport, this mountain sanctuary is one of the most sought-after, but least-attainable, addresses in Big Cottonwood Canyon. Under Intrawest's master plan, 176 mountain homes are being built at the resort. Village amenities include a year-round outdoor pool, hot tubs and fire pit, fireside lounge, kids-only game room, media room, and fitness center. The ski-in, ski-out Village at Solitude offers a high-touch, intimate mountain experience that will take your breath away - an experience like no other.

(C) SHAREHOLDER LOANS:

The Company accounts for loans provided to senior employees for the purchase of shares as amounts receivable. Under United States GAAP, these loans, totaling \$4,475,000 and \$460,000 as at June 30, 2002 and 2001, respectively, would be deducted from share capital.

(D) INCOME TAXES:

As described in note 2(N), the Company follows the asset and liability method of accounting for income taxes. Prior to July 1, 1999, the Company had adopted the Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("SFAS 109"), for the financial statement amounts presented under United States GAAP. SFAS 109 requires that future tax liabilities or assets be recognized for the difference between assigned values and tax bases of assets and liabilities acquired pursuant to a business combination except for non tax-deductible goodwill and unallocated negative goodwill, effective from the Company's year ended September 30, 1994. The effect of adopting SFAS 109 increases the carrying values of certain balance sheet amounts at June 30, 2002 and 2001 as follows:

	2002	2001
Ski and resort operations assets	\$ 2,525	\$ 3,226
Goodwill	34,696	35,916
Properties	650	663

(E) JOINT VENTURES:

In accordance with Canadian GAAP, joint ventures are required to be proportionately consolidated regardless of the legal form of the entity. Under United States GAAP, incorporated joint ventures are required to be accounted for by the equity method. However, in accordance with practices prescribed by the SEC, the Company has elected for the purpose of this reconciliation to account for incorporated joint ventures by the proportionate consolidation method (note 14).

(F) STOCK COMPENSATION:

Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"), requires that stock-based compensation be accounted for based on a fair value methodology, although it allows an entity to elect to continue to measure stock-based compensation costs using the intrinsic value

based method of accounting prescribed by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25"). The Company has elected to account for stock-based compensation in accordance with APB 25. Accordingly, no compensation expense has been recognized for the years presented.

Had compensation expense been determined in accordance with the provisions of SFAS 123 using the Black-Scholes option pricing model at the date of the grant, the following weighted average assumptions would be used for option grants in:

	2002	2001
Dividend yield (%)	0.6	0.6
Risk-free interest rate (%)	4.38	4.63
Expected option life (YEARS)	7	7
Expected volatility (%)	55	67

Using the above assumptions, the Company's net income under United States GAAP would have been reduced to the pro forma amounts indicated below:

	2002	2001
NET INCOME IN ACCORDANCE WITH UNITED STATES GAAP:		
As reported	\$ 56,475	\$ 50,736
Estimated fair value of option grants	(5,215)	(3,975)
Pro forma	\$ 51,260	\$ 46,761
PRO FORMA INCOME PER COMMON SHARE:		
Basic	\$ 1.16	\$ 1.07
Diluted	\$ 1.15	\$ 1.05

(G) FOREIGN EXCHANGE ON BANK AND OTHER INDEBTEDNESS:

Under Canadian GAAP, the Company defers and amortizes foreign exchange gains and losses on bank and other indebtedness denominated in foreign currencies over the remaining term of the debt. Under United States GAAP, foreign exchange gains and losses are included in income in the period in which the exchange rate fluctuates.

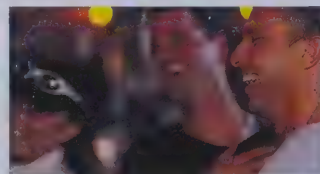
(H) OTHER COMPREHENSIVE INCOME:

Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" ("SFAS 130"), requires that a company classify items of other comprehensive income by their nature in a financial statement and display the accumulated balance of other comprehensive income separately from retained earnings and capital stock in the equity section of the balance sheet.

The foreign currency translation adjustment in the amount of \$31,295,000 (2001 - \$33,780,000) presented in shareholders' equity under Canadian GAAP would be considered accumulated other comprehensive income under United States GAAP. The change in the balance of \$2,299,000 would be other comprehensive income for the year (2001 - loss of \$260,000).

16. THE VILLAGE AT SQUAW VALLEY USA | CALIFORNIA

Imagine an intimate pedestrian village surrounded by 4,000 acres of skiable terrain, wide open bowls spanning six Sierra peaks, and 300 days of classic California sunshine. Last winter season, the first phase of The Village at Squaw Valley USA came alive with a world-class collection of dining, shopping, nightlife, entertainment and accommodation. The 2002-2003 season will bring the second phase of the Village alive with even more choices for exploration. The master plan consists of approximately 600 mountain homes and 75 shops and restaurants. Located just 10 minutes from Lake Tahoe and in driving range of three major cities, Squaw Valley USA will soon become a true year-round destination resort.



(I) REAL ESTATE REVENUE RECOGNITION:

In accordance with Canadian GAAP, the Company recognizes revenue from the sale of serviced lots after receiving a deposit and conveying title to the purchaser. Statement of Financial Accounting Standards No. 66, "Accounting for Sales of Real Estate" ("SFAS 66"), provides that a sale of real estate should not be recognized unless the deposit received from the purchaser is at least a major part of the difference between usual loan limits and the sales value of the property. Accordingly, no revenue and cost of sales would have been recognized under United States GAAP on certain lot sales for the year ended June 30, 2001 where the deposit received was less than 10% of the sales price.

(J) START-UP COSTS:

As described in note 2(F), the Company capitalizes for Canadian GAAP purposes certain costs incurred in the start-up period of specific operations. For United States GAAP purposes, such costs would be expensed as incurred.

(K) DERIVATIVES AND HEDGING ACTIVITIES:

For United States GAAP purposes, the Company adopted the provisions of SFAS 133, "Accounting for Derivative Instruments and Hedging Activities," as amended, effective July 1, 2000. Under this standard, derivative instruments are initially recorded at cost with changes in fair value recognized in income except when the derivative is identified, documented and highly effective as a hedge, in which case the changes in fair value are excluded from income to be recognized at the time of the underlying transaction. The only derivative instrument outstanding at June 30, 2002 and 2001 is the interest rate swap described in note 9. As the fair value of this swap is not materially different than its cost at both dates, no reconciliation adjustment is required.

(L) RECENTLY ANNOUNCED ACCOUNTING PRONOUNCEMENTS:

In June 2001 the Financial Accounting Standards Board ("FASB") issued SFAS 141, "Business Combinations" ("SFAS 141") and SFAS 142, "Goodwill and Other Intangible Assets" ("SFAS 142"). SFAS 141 requires that the purchase method of accounting be used for all business combinations. SFAS 141 specifies criteria that intangible assets acquired in a business combination must meet to be recognized and reported separately from goodwill. SFAS 142 will require that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead be tested for impairment at least annually in accordance with the provisions of SFAS 142. SFAS 142 also requires that intangible assets with estimable useful lives be amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment periodically.

The Company adopted the provisions of SFAS 141 for all business combinations made on or after July 1, 2001, including the business acquisition described in note 3. SFAS 142 will be adopted July 1, 2002 at which date goodwill and intangible assets determined to have an indefinite useful life acquired in a purchase business combination will no longer be amortized.

Upon adoption of SFAS 142, the Company is required to evaluate its existing intangible assets and goodwill that were acquired in purchase business combinations, and to make any necessary reclassifications in order to conform with the new classification criteria in SFAS 141 for recognition separate from goodwill. The Company will be required to reassess the useful lives and residual values of all intangible assets acquired, and make any necessary amortization period adjustments by the end of the first interim period after adoption. If an intangible asset is identified as having an indefinite useful life, the Company will be required to test the intangible asset for impairment in accordance with the

provisions of SFAS 142 within the first interim period. Impairment is measured as the excess of carrying value over the fair value of an intangible asset with an indefinite life. Any impairment loss will be measured as of the date of adoption and recognized as a cumulative effect of a change in accounting principle in 2003.

During the years ended June 30, 2002 and 2001, the Company recorded amortization of goodwill of \$3,064,000 and \$2,514,000, respectively. The Company is currently evaluating the impact of adopting SFAS 142 at July 1, 2002 including its intangible assets acquired in previous business combinations to determine whether it holds assets having an indefinite life and whether impairment exists under the provisions of SFAS 142.

In August 2001 the FASB issued SFAS 143, "Accounting for Asset Retirement Obligations" ("SFAS 143"). SFAS 143 requires entities to record the fair value of a liability for an asset retirement obligation in the period in which it is incurred. The Company will adopt SFAS 143 on July 1, 2002. The Company is currently evaluating the impact of adoption of this standard on its financial condition and results of operations.

In October 2001 the FASB issued SFAS 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"), which replaces SFAS 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." The Company will adopt SFAS 144 on July 1, 2002. The Company does not believe that the adoption of SFAS 144 will impact amounts reported historically for its financial condition or results of operations.

In May 2002 the FASB issued SFAS 145, "Rescission of SFAS Nos. 4, 44, and 64, Amendment of SFAS 13, and Technical Corrections" ("SFAS 145"). Among other things, SFAS 145 rescinds various pronouncements regarding early extinguishment of debt and allows extraordinary accounting treatment for early extinguishment only when the provisions of Accounting Principles Board Opinion 30, "Reporting the Results of Operations – Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions," are met. The Company has not had early extinguishment of debt in fiscal 2002 or 2001.

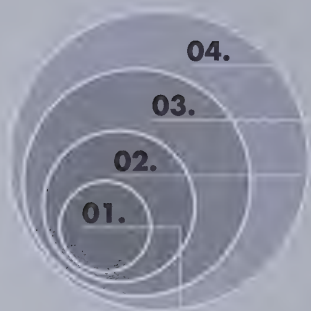
In July 2002 the FASB issued SFAS 146, "Accounting for Restructuring Costs" ("SFAS 146"). SFAS 146 applies to costs associated with an exit activity (including restructuring) or with a disposal of long-lived assets. Under SFAS 146, a company will record a liability for a cost associated with an exit or disposal activity when that liability is incurred and can be measured at fair value. SFAS 146 will require entities to disclose information about its exit and disposal activities, the related costs, and changes in those costs in the notes to the interim and annual financial statements that include the period in which an exit activity is initiated and in any subsequent period until the activity is completed. SFAS 146 is effective prospectively for exit or disposal activities initiated after December 31, 2002, with earlier adoption encouraged. The Company has recognized no restructuring costs to exit activities in fiscal 2002 or 2001.

23.

SUBSEQUENT EVENT:

In July 2002 the Company sold 55% of its investment in Compagnie des Alpes for proceeds which approximate its carrying value.

FOUR STAGES OF RESORT DEVELOPMENT



01. ENHANCE Our first step is to improve a resort's *raison d'être*, be it snow sports or golf, to draw more visitors. At this point, we invest heavily in facilities.

02. EXPAND As visits to the resort increase, we expand village development and accommodation, creating reasons to visit year-round and to stay longer. In this stage, resort cash flow is negative to neutral.

03. ENERGIZE With an influx of destination and regional visitors, the village is alive with energy, the market for real estate is booming and capital investment requirements diminish. Resort cash flow is neutral to positive.

04. EXPERIENCE The resort is transformed. Guests visit year-round, return on capital surpasses 20 per cent, resort cash flow is highly positive, and the destination lives up to its title as a Great Playground of the Western World.

OUR BUSINESS

Intrawest is a world leader in creating branded destination resorts and innovative businesses that harness our unique expertise. As our trademark resort villages evolve, with a widening range of amenities and attractions, they become vibrant four-season destinations. Located in several geographic regions and within driving distance of major urban centers, our resorts host a broad variety of businesses and enjoy extraordinary brand loyalty and a growing market share.

Each of our five emerging businesses is experiencing rapid growth. These businesses extend our involvement in the leisure industry. They also play an increasingly important role in discovering growth opportunities in their own niches while also establishing contacts that lead to new business for other Intrawest divisions.

CLUB INTRAWEST | INTRAWEST VACATION OWNERSHIP

Club Intrawest is our unique points-based vacation ownership concept. With seven locations offering five-star accommodation at some of the world's premier four-season vacation destinations and more than 12,000 members, Club Intrawest is at the leading edge of the vacation ownership business.

PLAYGROUND | INTRAWEST REAL ESTATE

Playground is in the business of marketing and selling resort real estate for Intrawest and others. Over the past 10 years we have developed a proprietary methodology within the resort real estate group that we now call our "branded way of selling." By leveraging our expertise we have entered a business that requires minimal capital investment while producing significant returns. As Playground moves forward with sales at Intrawest resorts and elsewhere, it is fielding calls from some of the continent's premier developers.

INTRAWEST GOLF | INTRAWEST GOLF MANAGEMENT

Intrawest Golf is successfully leveraging Intrawest's branded business system to establish itself as a new leader in the golf management arena. It has a growing reputation for the quality of its network of golf courses, including its premier Raven Golf brand, and the experience and expertise of its management. Intrawest Golf has the added advantage of having access to millions of resort-customer relationships established by Intrawest during the past 15 years.

REZREZ | INTRAWEST TRAVEL

Resort Reservations Network (RezRez) has a vision to be the leading travel solution to the world's top destinations. As an integrated call center and online travel planning and booking service offering quality service through a comprehensive reservations system, RezRez has more than 500 employees and new destinations launching every few months.

STORIED PLACES | INTRAWEST RESORTS

Storied Places is a new Intrawest company that will develop and operate small, exclusive neighborhoods of high-end resort homes where the benefits of owning a full-sized private residence are combined with limited commitment and personalized five-star service. Storied Places will develop and manage private communities around the world. Three Storied Places locations are currently under development at Whistler, British Columbia; Tonopalo on the North Shore of Lake Tahoe, California; and at Snowmass at Aspen, Colorado.



- Kauai, Hawaii ^c
- Waikaloa, Kailua-Kona, Hawaii ^d
- Hawaii, Hawaii ^e
- Cabo San Lucas, Mexico ^f
- Cancun, Mexico ^g
- Puerto Vallarta, Mexico ^h
- Riviera Maya, Mexico ^g



playgrounds

- a INTRAWEST RESORTS
(OPERATIONS AND
VILLAGE DEVELOPMENTS)
- b INTRAWEST VILLAGE DEVELOPMENTS
- c CLUB INTRAWEST
- d PLAYGROUND
- e INTRAWEST GOLF
(OWNED/MANAGED)
- f INTRAWEST GOLF
(MANAGED)
- g REZREZ
- h STORIED PLACES

- Les Arcs, France b d
- Barbados g
- St. Lucia g



memories




Intrawest is a company of innovators. Through innovation we achieve transformation. In the 1990s, Intrawest engineered the transformation of the mountain resort business from uphill transportation to a 21st century resort business with multiple, interlocking revenue streams around trademark villages.



innovations



experiences




"Who can visit when, seeking what experience?" By seeking answers to a single question we have extended the resort day for our guests. We have steadily increased market share and the flow of visitors to our resort villages. We offer a multitude of experiences from sunup to sundown and beyond.




We go to extra lengths to ensure the experiences we offer meet the needs of every guest. In so doing, we make our resorts attractive to families and groups of all sizes. They arrive together and depart together. And in between we deliver an experience that leaves each and every one of them eager to return. In 2002 one in 10 skier visits in North America was to an Intrawest resort.



options

A close-up portrait of a young woman with dark hair tied in a bun, smiling warmly at the camera. She is wearing a dark, possibly black, jacket with a visible strap across the chest. The background is a blurred interior of a cafe or restaurant, with shelves and various items visible. The lighting is warm and soft.

service



It's more than a resort experience; it's a way of life. For many people, family and social traditions interwoven in the fabric of their lives reinforce a commitment to our resorts. These people, including the thousands of employees who make up the Intrawest family, shape the local culture and energize the resort.

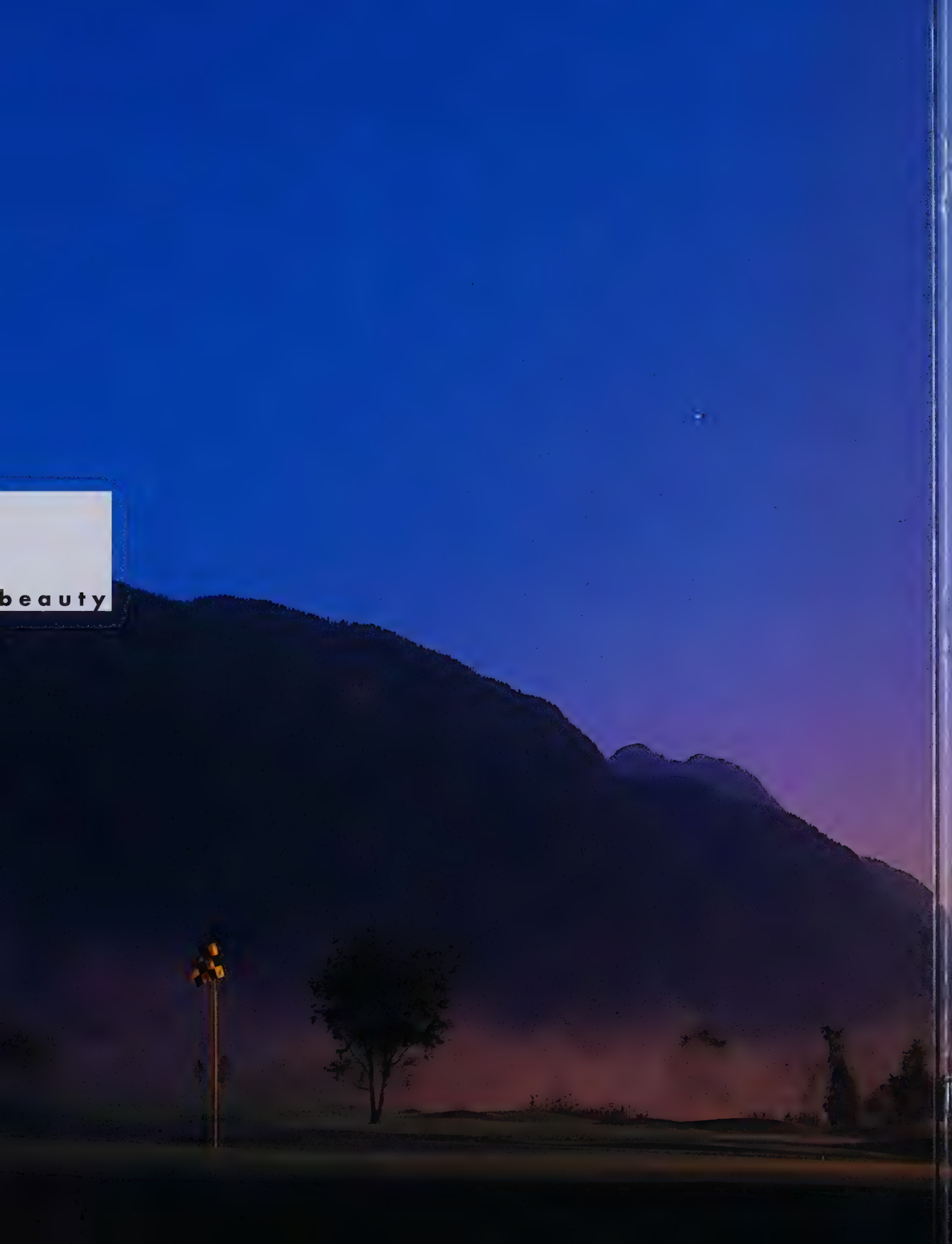



The broad range of experiences we offer, to people of all ages and every phase of life, keeps our resorts humming every hour of the day, every day of the week, every month of the year.



choices

beauty





The proprietary expertise we developed in the ski industry is proving wholly transferable to our golf business. Today, we are breaking new ground as we strive to harness golf's great traditions, turning them from an inhibitor of growth to an accelerator. Our emphasis on the experience is turning Intrawest-managed golf courses into must-play attractions.



In 2001 Intravest Golf, which owns or manages 25 golf courses in North America and is home of the Raven Golf brand, had third-party management relationships for four golf courses. In 2002 that number grew to 12. Our ability to convert expertise into opportunity is coming across in every one of our businesses.



relationships

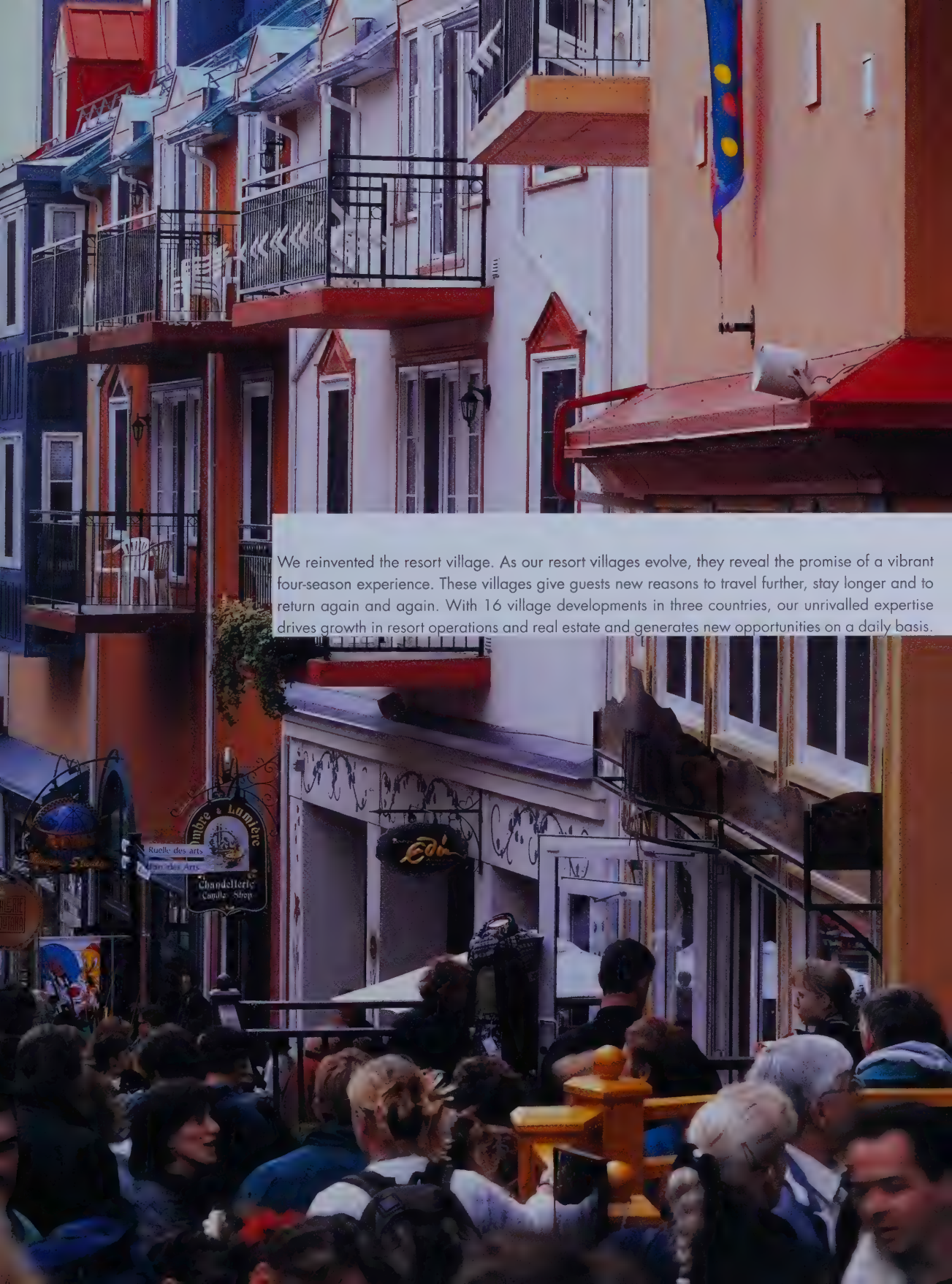


ambiance

LE PETIT
POUSSIN

ON / RENTAL
S / BIKES
roues alignées
inline skates
Inis • Golf

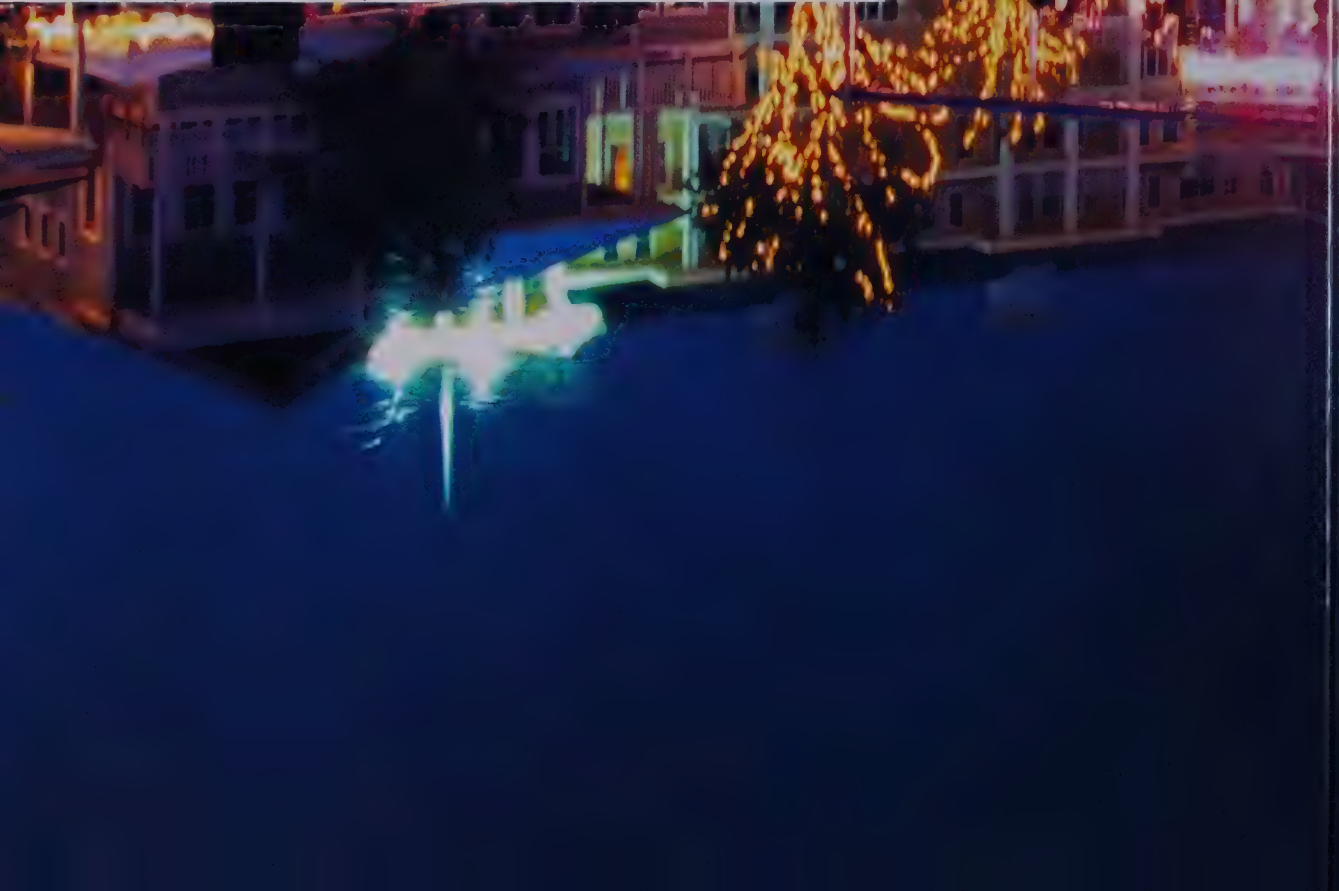
TREMBLANT



We reinvented the resort village. As our resort villages evolve, they reveal the promise of a vibrant four-season experience. These villages give guests new reasons to travel further, stay longer and to return again and again. With 16 village developments in three countries, our unrivalled expertise drives growth in resort operations and real estate and generates new opportunities on a daily basis.



At Sandestin, we drew a line in the sand. Our success there tells us we're ready to cross it. With championship golf courses, white-sand beaches, leading-edge conference facilities and the new and dynamic Village of Baytowne Wharf, we have again proven that Intrawest's unique combination of operations and development expertise is transferable well south of the snowline.






destinations



drive

A full-page photograph of a snowboarder in action. The snowboarder is wearing a black jacket, bright yellow pants, and a black helmet with goggles. They are leaning forward, carving a turn on a snowy mountain slope. The background shows a vast, snow-covered mountain range under a clear blue sky with some light clouds. The snowboarder's shadow is cast on the snow in front of them.

Our resorts are on the leading edge. They attract the people who set the trends even as they strive to avoid them. Snowboarding and terrain parks have opened up new worlds of on-mountain action and we've played a key role in making that happen. It's no coincidence that SKI magazine's readers ranked five of our terrain parks among the continent's top 10.



There's an unending demand for the experiences we offer. Our individual desires for excitement, fulfillment or tranquility guarantee this. At Intrawest the status quo describes today, not tomorrow.



demand

potential



What's next? Our mission as a company is to create memories for our guests and staff as the best resort experience... again and again. We've been true to our mission for years and it still feels like today is just the beginning.



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